THE CHINA WEEKLY REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

February 8, 1941

Puppet Gunmen Rub Another Name off Nanking's Blacklist of Journalists

Gauss-Johnson Switch

Badlands Policing Fiasco

Axis Whispering Campaign

Shanghai Finance Faces Bitter Currency Battle, Declares John Ahlers

VOLUME 95 PRICE 80 CENTS (in China) NUMBER 10

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Comments from readers on current topics are cordially invited; their opinions, however, do not necessarily represent the views of *The China Weekly Review*.

MAGNA CARTA, "W.B." AND "BOW BELLS"

To the Editor:

This is especially to assure your correspondent of last week signing himself "Bow Bells" that I shall ever treasure his letter in my scrap-book. For he is the first person publicly or privately ever to suggest I was either a "Pollyanna" or a "Peter Pan." I've been called a lot of things that I am sure you would not sully your pages by putting in print, but once several years ago in even your chaste columns some correspondents who did not agree with a book review of mine said I was both "no gentlemen" and a "Trotskyist barroom journalist." At other times in other places it has been put in print that I am a "defeatist," a "cynic," a "pessimist," and even guilty of prevarication. And now, to cap the climax, I am "Pollyanna" and "Peter Pan" all in one! Selah!

It seems from the letter of "Bow Bells" that I have written many things to inspire him to his peculiar characterization of me, but he only specifically mentions what I said about the Magna Carta: "It may, of course, be easily proved that the Magna Carta has worked out far from perfectly. But will the world have to go through another cycle of totalitafianism to prove the need of a Magna Carta as a desirable although imperfect alternative?"

If "Bow Bells" can take exception to this, it seems to me that he is the real Peter Pan—"the boy who would never grow up" and who would refuse a pound of chocolate because he couldn't get the moon. To put it another way, he wants Utopia or nothing. On the other hand, persons who mentally and temperamentally grow up learn that all values are relative, and they are not so quixotic as to reject or condemn some new deal because it is not ideal. Instead, they judge everything pertaining to social setup comparatively, and they don't reject anything simply because it comes from the selfishness of a given group or because it does not attain in one bound all they want. Instead, their criterion is whether the change is in the desired direction—even if it is only one small step in that direction.

Being a selfish individual who sets greater store by personal liberty than anything else society can offer, I hold to the thesis that any step which broadens the base of political power and tends to assure increased individual security of life and liberty is very much worth while. Viewed historically, the Magna Carta was a step in this direction. Had I been a villein in 1215, I might not have had the prescience to see it in this light. Certainly its merit at the moment was debatable from any viewpoint except that of the barons and the merchants of London. That, however, is now neither here nor there. The Magna Carta could have been of no importance except to the group which wrested it from King John; actually, it proved to be the beginning of English democratic development,—and that is what gives it its historical significance. As "Bow Bells" himself admits in quotation, villeinage soon declined—and then the clause about freemen being judged by their peers acquired "a new meaning and importance." Exactly! And it eventually developed that no Englishman could be killed or jailed save upon conviction by a jury of his peers in open and generally fair trial.

Of course, there have been many exceptions to this rule, and I could list worse ones than "Bow Bells" does—since the Tientsin Chinese were not British nor subject to British courts,—but can "Bow Bells" deny that the Anglo-American tradition which started with the Magna Carta has not wrought greater individual security of life and liberty than any other tradition excepting the comparable French one which started with the Rights of Man that were in large part inspired by Voltaire's observations of English life? Or does "Bow Bells" prefer the totalitarian Nazi and Bolshevik tradition whereby a man may be arrested at midnight and executed before dawn without trial or even public **ex post facto** announcement? Just within the past five years there have been thousands of executions in the Soviet Union, most without even a farce of a trial—and anyone who would publicly protest that any injustice had been done would himself be executed. Also among those executed would be a "Bow Bells" who wrote a letter to a Russia Weekly Review that he thought the Magna Carta was superior to the teaching of Karl Marx as interpreted by Joseph Stalin. A British "Bow Bells," on the other hand, can still publicly profess preference for Stalinist Marxism if he chooses without danger of liquidation—and I hope he continues to enjoy such liberty even though his letter would imply that it doesn't mean anything to him.

W. B.

Shanghai, Feb. 3, 1941.

SELF-RESPECTING TEACHERS!

To the Editor:

I received a letter from a local primary school teacher. It is full of patriotic sentiment. I am very glad to translate a part of it into English in order to inform and impress Western

THE CHINA WEEKLY REVIEW

Cable Address "REVIEWING SHANGHAI"

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readers with the fact that we are still struggling, with an ever increasing crescendo, against the unhealthy political circumstances surrounding Shanghai by utilizing every available opportunity which presents itself. The paragraph from the letter follows:

"At present a primary school teacher must follow the dictates by his own conscience because there is no supervisor. The schoolmaster naturally cannot always pay attention to what pedagogy the teachers may adopt. If, unfortunately, the innocent young pupils are under the instructions of men possessed of utter moral depravity, what ill-consequences may ensue, only God knows. Our liberty is being ruthlessly restricted. But in the classroom we are still able to enjoy freedom of speech. We stimulate the young pupils not to become subjects' and we sow the seeds if self-respect in their minds. At the same time we tell them that the shackles which are being put on us must, and will be, wholly crashed in future. It is the utmost that a self-respecting primary school teacher can exert."

CHENG CHI-CHUNG

February 1st, 1941.

476 Seymour Road, Shanghai.

UNSATISFACTORY NEWS

To the Editor:

Since I left China, I have found the news of China and the conditions there, as presented in the American press, not altogether satisfactory. I therefore feel the need of **The China Weekly Review**, hence continue the subscription which was interrupted when I departed.

G. R. J.

Glendale, Cal., Dec. 17, 1940.

NATIONAL CITY BANK OF NEW YORK

Rates of Exchange, Shanghai, February 6, 1941

Demand selling rate on New York: U.S.$1.00—Sh.$19.04

Demand buying rate on New York: U.S.$1.00—Sh.$18.60

Demand selling rate on London: £1.0.0—Sh.$72.45

Demand buying rate on London: £1.0.0—Sh.$70.46

AMERICAN STOCK AND COMMODITY QUOTATIONS

February 6, 1941

STOCKS

Amer. Locomotive	14¼
Amer. Waterworks	6⅛
Anaconda Copper	24⅝
Bethlehem Steel	84
Chrysler	65½
Elec. Bond & Sh.	3⅝
Gen. Motors	43½
Goodyear T. & R.	18
Gt. Nthrn. Rly., pfd.	26⅝
Lockheed Aircraft	24¾
Mont. Ward	36½
N. Y. Central	13⅞
Texas Corp	37⅛
U. S. Steel	63½

COMMODITIES

New York Cotton, Mar.	10.31/31
New York Rubber, Mar.	19.80B/82A
New York Hides, Mar.	12.66B/75A
Chicago Wheat, May	82½/82½
Chicago Corn, May	62/62
New York Sugar, No. 4, Mar.	0.69½B/70A

B—Bid. A—Asked.

A SURVEY

To the Editor:

I have endeavored on this trip to determine the political, social and economic set-up in China, as they exist in the towns and cities of the provinces. I paid particular attention to the Industrial Cooperatives because I felt that contained the potentialities for meeting successfully the Japanese economic challege. I found the work to be good where the leadership was good, and when leadership was not based on a sound understanding of cooperative principles then the work suffered proportionately. The need is for trained leaders, men who understand the principles of the movement, and who are able to practise and transmit them. There is also a pressing need for more capital. With nearly twenty-five hundred Co-ops affording employment to thirty thousand people and producing twelve millions of consumers' goods per month, the success of the system is assured. But the establishment of at least thirty thousand units is necessary if a dent is to be made in the half-billion dollars worth of Japanese manufactured goods (I include in this the goods manufactured in occupied regions which provides revenue to the Japanese) which entered free China last year.

Despite rumors of internal disruption, which are not without foundation, and despite activities of a peacec group, I am convinced that China will continue the struggle to the bitter end. I had this reassurance from the Generalissimo and from the Communist leaders. Moreover, the current international situation is distinctly in China's favor, and she now has everything to gain and nothing to lose by holding on and continuing the process of attrition, which cannot but continue to weaken the Japanese. America is now just as much an ally of China as she is of Britain. And the cause of Democracy is equally as much at stake here as it is in Europe.

I am more than ever convinced of the soundness of the institution of Democracy, and of its ability to successfully meet the challenge of authoritarianism. We must re-vitalize Democracy and extend democratic principles into the economic field, but this can be done within the framework of the democratic ideal without an undue sacrifice of individual freedom. In this day people are too enlightened to submit long to the dictatorship of a privileged group. But the citizens of a democracy must understand that if this form of society undertake the responsilities and make is to stand they individually must the sacrifices which alone can enable it to survive the blitzkrieg of the authoritarians. There must be free and full cooperation.

E. F. CARLSON

American Committee for Chinese Industrial Cooperatives Manila—Enroute to U.S., Jan. 16, 1941.

GET THE ABACUS

To the Editor:

The advertisement of "Nulacta" which appeared on Page II of your issue of Jan. 25 stated that the price of the full cream powder was: ½-lb. tin..$3.50; 1-lb. tin...$7.60.

I am aware of the fluctuating exchange situation and of the flood of new money which is expected to issue from a certain institution on the Bund, but I was not aware that twice $3.50 was equal to $7.60. How come?

PUZZLED

Editor's note: The price of the ½-lb. tin should have been $3.90 instead of $3.50. We apologize, although the error was not the fault of our printing department. The dealer assures us that Nulacta is a genuine bargain regardless of price.

PERSONALLY VOUCHED

To the Editor:

In view of reports appearing in the press which tend to create doubts as to the convertibility of the notes of the Central Reserve Bank of China into fapi I should like to bring to your notice the following facts for which I can personally vouch.

On Saturday afternoon last, January 25th, a friend of mine had no difficulty in exchanging $100 Central Reserve Bank into fapi at an exchange shop in Hongkew, being charged the discount rate usually charged by these establishments in these transactions, namely one per cent. At the same time the proprietor informed him that but for the close proximity of the Spring Festival Holidays, which meant that the Banks would be closed for the following three days, he would only have charged one half per cent.

A short while ago I myself paid a large sum into an office account with the Central Reserve Bank in notes of the new currency. A little later I needed a considerable sum to meet certain local expenses. Accordingly, I sent my clerk, a man quite unknown to the Bank officials, to the Bank with a bearer cheque for that amount, with instructions to ask for the equivalent in fapi. He met with no trouble whatsoever and within five minutes of the cheque's presentation walked out of the Bank with the amount in fapi.

On hearing that individuals were experiencing difficulty in getting actual notes exchanged at the Bank, and were being requested to give their name, I decided to test the matter for myself. Accordingly on Friday afternoon I walked into the Bank and asked for fapi in exchange for Central Reserve Bank $50.00. It was handed me without any ado whatsoever. Furthermore I handed an English acquaintance Central Reserve Bank $10.00, and asked him to make the same experiment. He reports that all he had to do was to walk into the Bank, hand in his Central Reserve Bank note over the proper counter and be handed a $10.00 "fapi" note in exchange.

Contrary, therefore, to the reports that are being circulated, there are absolutely no formalities to be complied with at the Central Reserve Bank in obtaining "fapi" in exchange for Central Reserve Bank notes. No difficulties are placed in the way and the transaction is completed in the minimum of time. In regard to exchange shops, those in Hongkew at least will exchange Central Reserve Bank notes into fapi at a discount rate of one half per cent—less, that is, than the normal rate demanded in such transactions.

There is one more point that I would like to make, and that is that the French Municipal Council has declared its readiness to accept the new currency at par with fapi in payment of municipal rates and licences, which it would hardly do if there was no convertibility.

C. C. LAI

Shanghai Branch Manager,
Central Press Service of China
(Nanking). Feb. 3, 1941.

ON FOOT

To the Editor:

This place is so desolate and isolated that I feel the need of information, hence shall appreciate it if you will send me the paper again to this place. My long silence was due to the fact that I had to travel the long distance entirely on foot and I assure you that the trip was lonely without news.

S. C.

Northern Kiangsu, Jan. 21, 1941.

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APPOINTMENT OF GAUSS AND THE PACIFIC WAR SITUATION

REGARDLESS of the reason that prompted the State Department to switch Ambassadors at Chungking, most persons will agree that the appointment of Clarence E. Gauss as American Ambassador to the recognized Chinese Government at Chungking constitutes evidence that the situation in the Far East has grown worse.

With the Imperial Japanese Navy on a full war footing in an area of the South Pacific where both the United States and Great Britain said the Japanese would not be permitted to penetrate; with the Japanese Foreign Minister and other high officials of the Tokyo Government daily defying and insulting the Americans for their failure to "understand" the Japanese program; with the Japanese proceeding relentlessly with their program in China, even intensifying it by dropping their bombs (made of American scrap iron) not only on American property, but on the civilian seat of a friendly government that we are solemnly pledged to respect and sustain, few will dispute the statement that the situation is critical.

The leading Chinese newspaper, *The Shun Pao*, whose editor, King Hwa-ting, was murdered by Wang Ching-wei's gangsters on Monday of this week, said that *politically, diplomatically and economically, a state of war already exists between Japan and America in fact if not in name.* Japan's first attack on the United States was her violation of the Nine-Power Treaty, stated the paper, and listed the following causes of a possible state of war:

1. Japan's conclusion of the military alliance with Germany and Italy.

2. Japan's violation of her pledge to respect and maintain the *status quo* in French Indo-China.

3. Japan's instigation of the Thailand and Indo-China conflict.

4. Japan's southward expansion in disregard of the opposition of Great Britain and the United States.

5. Japan's demand that the Netherlands East Indies join the "East Asia co-prosperity sphere."

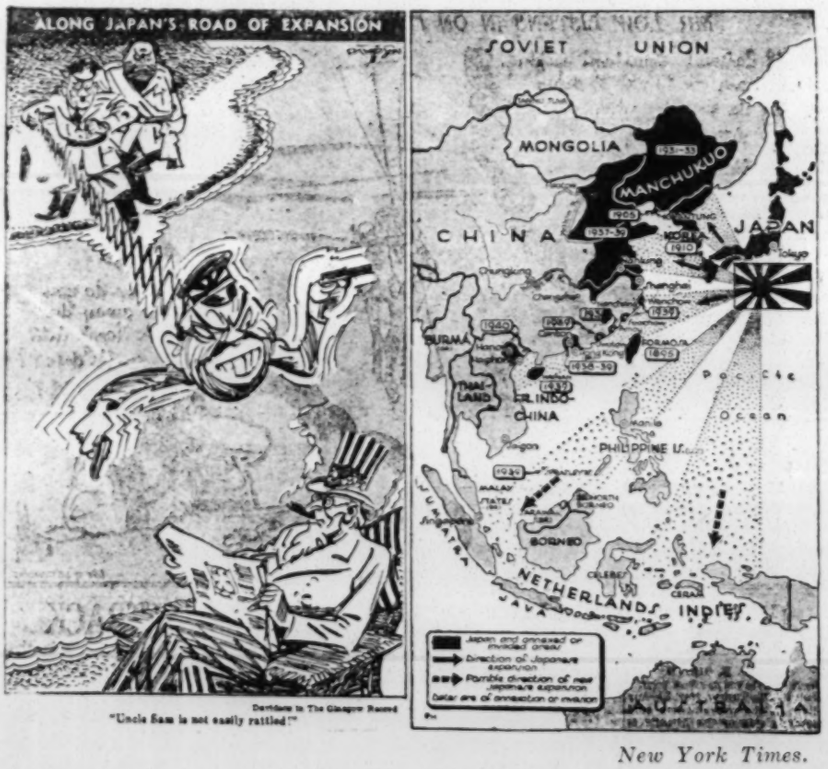
Heisuke Sugiyama, leading Japanese commentator in referring to rumors that the real crisis between Japan and America may come in April, declared:

"Nobody can vouch that an incident similar to the Captain Oyama murder case, which proved a fuse to the outbreak of the Shanghai hostilities in 1937, will not break out."

Robert Aura Smith, cable editor of *The New York Times*, in a recent article dealing with the Japanese menace said that the Japanese had continued their reckless course precisely because they are convinced that the United States will do nothing to stop them. . . .there is a belief in Japan that no danger of a war with the United States exists through their actions against our rights and our citizens. . . .the Japanese believe that Americans are peace-loving, gullible, soft, grasping, and stupid enough to go on selling them war materials and then to confine themselves to wordy protests when those materials are used." Mr. Smith was for several years news editor of the *Manila Daily Bulletin*, hence is familiar with his subject. He thinks that his fellow-countrymen themselves have been responsible for this highly dangerous situation because the Americans "not only supplied Japan with the materials to invade our rights, but also have convinced the Japanese that they can do so with impunity . . . .If we intend to stop the Japanese fascists, we must convince them that their acquaintance with the American character is inadequate and their judgment of our emotional and willful incapacity for action has been somewhat hasty."

"One way to carry some of that conviction is to get some of the capital strength of the United States Fleet into the South China Sea. We have already told the Japanese, officially, that we agree with them that the status quo in the South China Sea area should be preserved. Putting a few battleships and half a dozen cruisers on a South China Sea patrol to help preserve that status quo will do more than fifty notes from Washington to convince Tokyo that we mean business...."

"Uncle Sam Not So Easily Rattled"



New York Times.

In Mr. Smith's opinion, peace with Japan on Japan's conditions—meaning recognition of the New Order in East Asia and Japan's entire grab in that area—wouldn't be worth the price. He said that those who previously argued appeasement to Japan, "based their arguments on the assumption that America is weak in the Pacific and must retreat from a disadvantageous position." He does not agree with the viewpoint that the United States cannot aid Britain in the Atlantic and act in the Pacific at the same time. He said, "Tokyo, by signing the pact with Germany and Italy, forced us to recognize that there are two major camps in this war and that we are in one of them. So doing, it made our Pacific position immensely strong, regardless of the issue of aid to Britain. . .It has given us two automatic allies in any resistance we may offer to Japan. . . .The first ally—forgotten by many of the appeasers—is the Republic of China. In spite of the fact that for three and a half years we have actively supplied Japan, China's enemy, materials without which the Japanese war in China would have been impossible, the Chinese still are on our side. They have an army of more than 2,000,000 already in the field, fighting our battles and so far they have done a good job of it. . .They have managed things so that Japan has bogged down in China. . . .

"Our second ally is Britain. In the Atlantic the all-important thing may be our aid to Britain, but in the Pacific, it is Britain's aid to us. The crux of that aid is the use by the United States of British defense positions that would make the whole strategy of any Pacific campaign favorable to the United States. British and American islands in the Pacific form an admirable line for a long-range screening blockade of Japan. British holdings at Hongkong and American holdings in the Philippines at Manila form strong flanking positions for submarine control of the ship lanes from Japan into the South China Sea. The British base at Singapore (and probably the strong base of Britain's ally, the Netherlands, at Soerabaya in Western Java, Netherlands East Indies) forms a magnificent defense stronghold in precisely the area that is threatened.

"By signing up with Germany and Italy, the Japanese have now made up our minds for us. They have let us know that there *is* a war in Asia, that is the same war that is going on in Europe. The net effect of that diplomatic 'victory' by Japan must be to force the United States to take all of the major steps that Japanese diplomacy has tried to avoid for the past ten years. Since Japan has made it clear, at last, that aid to Japan is aid to the Axis, the United States probably will progressively reduce its shipments of war materials to Japan. After three years of trying to bluff us out of an embargo, Japan has finally succeeded in bluffing us into one. . . ." The virtue of this more realistic Asiatic policy is not merely that it has become consistent and that it has become expedient. Our international good morals have been at stake and we are beginning to reach the conclusion that our consciences and our pocket-books are on the same side. For just about ninety-eight years we have given lip service to good behavior in Asia. We have assured the Chinese that we respected their territorial integrity and their responsible sovereignty. We have put our pledges in the cold ink of some of our major treaties and in the warm blood of Americans, who have helped to make the new China possible. Japan has called on us to make those pledges good, or get out of Asia.

"There can be only one possible response—No more appeasement in the Pacific. . . .That is the response we shall make so long as we have courage and common sense."

***

Various explanations have been offered as to the State Department's motives in shifting Minister Clarence E. Gauss from Canberra, Australia to Chungking, and Ambassador Nelson T. Johnson from Chungking to Canberra. In the case of Ambassador Johnson, a *Reuter* message from Chungking attributed Johnson's transfer to his desire to be with his family. At present, Mrs. Johnson and their children are in the United States and are not able to proceed to Chungking due to the evacuation of women and children from the Far East. They will be able to join him in Australia. According to rumors in Shanghai some complications recently developed between Johnson and the Chungking authorities over the threatened domestic complications in China resulting from the disbanding of the New Fourth Army. A *Reuter* report from Washington on Feb. 2 stated that Washington was concerned at the development due to the threat of civil war which might have the effect of neutralizing China's resistance and leading to a victory on the part of the Far Eastern Axis partner. It was rumored that Ambassador Johnson was not in sympathy with the action of the Chungking military authorities and voiced his disapproval to Gen. Chiang Kai-shek. As a result of this situation, Mr. Johnson requested Washing-

"The Tripartite Monkeys"

Punch.

New Version—"Hear no good!" "See no good!" "Speak no good!"

ton to transfer him to another post—Australia or South America.

In the case of Mr. Gauss, it was rumored that his selection for the Chungking job, was based on a combination of domestic and international developments. Both United States and Britian are anxious to bring as much efficiency as possible into China's resistance to Japan due to its bearing on the international situation. Since Mr. Gauss has had extensive experience in administrative work, and is long experienced in China, it is likely that the State Department chose him for the Chungking job with this idea in mind. A further and possibly more important element, may have been concerned with the crisis in the South Pacific occasioned by Japan's advance into Indo-China and threatened advance to the Straits and Netherlands Indies. Since Mr. Gauss is obviously familiar with the conversations dealing with America's use of British and Australian naval bases in the South Pacific, his presence in Chungking and advice to the Chinese authorities in this connection might be of much value. China is already working in more or less close cooperation with both Burma and India.

In the event the United States is planning a determined stand against Japan's advance southward, Mr. Gauss' presence in Chungking might be advantageous.

American businessmen in Shanghai have welcomed Mr. Gauss' transfer to Chungking, hoping that he may be able to assist in the solution of various problems concerning American business, due to his long residence and service as Consul-General at Shanghai.

The New York *Herald-Tribune* in the course of a recent discussion regarding the situation in the Far East caused by Japan's "south seas push" said that it was imperative in the interest of China and her friends that she immobilize as many Japanese troops as possible, hence it would be a great pity if a bitter domestic feud "was being worked up." It was rumored that this may have constituted a potent reason for the decision to send Mr. Gauss to Chungking. The *China Press*, which reflects the views of Shanghai's Chinese commercial and financial community, expressed the hope that Ambasador Johnson would remain in China. Johnson is well liked by all classes of the Chinese people, with whom he has been associated for many yeas as a consular and diplomatic official. The paper attributed much of the credit for increased cooperation and neighborliness between Chungking and Washington, to the service of Ambassador Johnson. The paper didn't think it was a good idea to change horses in midstream.

General Evacuation Rumors Are Part of Japanese Whispering Campaign in China

Rumors of a general American evacuation of the Far East were again circulated freely towards the end of the past week, but inquiries made with responsible United States authorities revealed the reports to be totally unfounded. The advice issued by the American authorities in China some time ago for all U.S. citizens who have no pressing business in the Far East to quit still stands good, it was stressed, but there was not the slightest suggestion that the United States Fourth Marines would be withdrawn, or that all Americans would have to leave China "within 30 days," as the rumor had it.

Investigations indicated that the sources of the alarm which spread on Wednesday and Thursday last were Japanese and Nazi, both of which had been engaged assiduously in a whispering campaign during the past fortnight in an effort to influence American public opinion against the passage of the Aid to Democracies Bill.

The campaign has not been confined to China, or Shanghai, of course, but the clumsiness with which it was carried out locally made its intention transparently apparent. An example of their methods, which would hoax no trained newspaperman, was given on Wednesday night, when a well-known journalist here was telephoned by a man who refused to give his name, but said that he was connected with the United States Naval Purchase Office. This person said that he had information all Americans were about to receive orders to leave China. In the first place, honest men know they have nothing to fear from giving their names to accredited journalists, and in the second place, the man might have known that the proper American authorities would be questioned before any such report would be given either local, national or foreign circulation.

Another method, and somewhat more efficient, being employed by the local Axis whisperers, makes use of the afternoon tea table and the female devotees thereof. Several women recently have reported to newspapermen that the U.S. Fourth Marines were disposing of their stores here in readiness to evacuate in April. On being questioned, it was found that in practically every case the information was passed on by associates of the Nazis and Japanese. In the remaining cases, they were uncertain where they had heard the report.

These rumors were linked at first by local foreigners with the statement made by Mr. Yosuke Matsuoka, Japanese Foreign Minister, on February 4, that Japan was considering the invocation of belligerent rights, to do which by international law Japan would be compelled to declare war. In the case of war being declared by Japan, the United States according to present legislation would be compelled to invoke the Johnson and Neutrality acts, under which the Far East would become a war zone. As a consequence of this, the Administration would be compelled to withdraw both servicemen and civilians—which is what Japan desires more than anything else for the furtherance of her "new order" dream.

It is strongly doubtful, however, whether the Johnson and Neutrality Acts would be invoked by the Administration in the present circumstances, which clearly call for the maintenance of America's stand against any change *of status* quo in the Far East, and far from withdrawing her forces, it is possible that if war is declared by Japan the United States might increase them in order to give a greater measure of protection to American lives and property.

Matsuoka's announcement that Japan was considering the invoking of belligerent rights was accompanied by a revealing statement by the Foreign Minister in reply to a question during an open session of the Lower House Budget Committee. The Foreign Minister said that he could not state whether or not Japan would go to war against America if America went to war against Germany and Italy; nor could he state whether Japan would be left in the lurch by her Axis partners if Soviet Russia launched an attack on Japan.

If Mr. Matsuoka were as uncertain about the courses of the stars as he pretended in these statements, Japan would be seeking United States friendship, not deliberately antagonizing her as the Foreign Minister has done repeatedly in the past fortnight. It is obvious that Japan, possibly at the urgent request of Berlin, is out to create a Far East crisis just short of war in an effort to block the Aid to Democracies Bill. The local whispering campaign is part and parcel of this deliberate scheme, and should be totally ignored by Americans and other democratic Third Powers. Should it ever become necessary for Americans to be evacuated from the Far East, they will receive their instructions from the proper authorities. All other persons should be ignored.

U. S. Red Cross Embarking On Extensive Relief Program

Dr. John Earl Baker, special delegate from the headquarters of the American Red Cross, Washington, D. C., departed from Shanghai for Hongkong on Friday, Jan. 17 following several days here conferring with members of the Red Cross Committee in Shanghai and others on problems concerned with relief to Chinese civilians made destitute by the war situation. Thirty-one Chinese organizations in Shanghai were hosts at a dinner in Mr. Baker's honor on Friday evening, prior to his departure. Yu Ya-ching, veteran Chinese leader served as chairman of the gathering, which included more than 100 of the city's business and professional men, who have remained here in recent months. Mr. Baker, in the course of his address said that the American Red Cross was planning to dispense large quantities of American foodstuffs and medicines gratuitously to needy persons in

ravaged areas in China, but especially in Free China. The materials had been made available to the Red Cross through the Administration's financial appropriations on behalf of food relief all over the world. Emphasis was placed especially on relief to persons who had become a prey to the onslaught of totalitarian aggressors.

The total sum appropriated by Congress for relief purposes in the various nations amounts to US$50,000,000, but it is as yet too early to determine the amount which is likely to be expended in China, Mr. Baker said. He added, however, that the fact that numerous victimized peoples in Europe were beyond the reach of American aid due to the war situation, might work out to China's benefit. Referring to the large quantities of cracked wheat and rice which are being shipped to China for relief of the starving, Mr. Baker said that the Act specified that the appropriation must be spent entirely to purchase American products. Referring to supplies, he said that the Red Cross was prepared to make China a gigantic donation of 15-tons of quinine. This donation, he explained, came from other sources than the Congressional appropriation.

Mr. Baker's address was enthusiastically applauded. Other talks were made by Yu Ya-ching, Dr. Y. C. Yang of Soochow University; Major Arthur Bassett, Chairman of the American Red Cross China Committee. Yu Ya-ching expressed deep appreciation for American assistance in the present dire emergency.

Western Area Police Pact Signed by S.M.C. and Puppet Body, but Application Will Meet Violent Opposition

Promising the "immediate" formation of a force empowered to take all action necessary to rid the city's "badlands" of "unlawful elements," an agreement was signed last Saturday by Mr. W. J. Keswick on behalf of the Shanghai Municipal Council, and Mayor Chen Kung-po for the Chinese puppet municipality, on the policing of the Shanghai Western Area.

Still carrying his arm in a sling due to the wound he received at the hands of an armed Japanese during the Ratepayers' meeting recently, the S.M.C. Chairman went to Kiangwan to sign the documents. Two copies, one in English and the other in Chinese (Chinese will be the official language of the new policing force) were signed by Mr. Keswick and Mayor Chen in a blaze of flash bulbs. Champagne toasts were drunk and congratulatory handshakes were exchanged.

The signing ceremony, publication of the agreement (details of which are given below) and the seepage of information from "reliable quarters" on appointments to the new force, which will be known as the Western Shanghai Area Special Police Force, remained the only developments up to the time of writing. It is highly probable that they will be only developments for some time to come and that the "immediate" establishment of the force will have to be deferred.

There are two excellent reasons for this belief—the continued expansion and increase of investments in vice in the western area, and the apparent intention of the occupants of No. 76 Jessfield Road, headquarters of Wang Ching-wei's political police, to remain in residence until such time as it suits them to move.

A Special Annex to the agreement—and probably it was the Council's insistence on the inclusion of this Annex which delayed the signing of the agreement for nearly a year since negotiations were first opened with the late Mayor Fu Siao-en—particularly provides for the suppression of gambling and all illegitimate enterprises *as soon as the police force has been organized and established and begins to function.*

Gamblers Remain Active

It is well-known to the Settlement authorities that the operators of gambling dens in the western area contribute heavily towards Nanking's revenue, and it would be manifestly absurd to believe that these people would not have been informed by Nanking were their places going to be closed down. Far from showing any recent signs of nervousness as they would have done had they been warned, on the contrary a good many of the establishments have been spending heavily on "improvements," and some new places have been opened. It may be concluded reasonably therefore, that the gambling dens, with their accompanying dope divans and other accessories, are going to continue. And so long as the vice dens exist, No. 76 Jessfield Road will remain—if only to collect the spoils.

There are other signs that Mr. Wang Ching-wei's "political police" are not by any means going out of business; clearly the wave of political terrorism which swept the Settlement last week may be traced to the usual source of such acts. The brutal murder of Mr. King, of the *Shun Pao*, appears to be blatant proof of this. The *Shun Pao*, it will be recalled was bombed recently and the Settlement police managed to seize one of the persons responsible for the bombing. This man confessed that he had received his orders from No. 76 Jessfield Road. It may be that the bombing early Monday morning of the Shanghai First Special District Court, where the captured man appeared for trial, also was directed by Jessfield Road. Mr. King furthermore, was among the 87 Chinese and foreign journalists "blacklisted" by Nanking.

By spirit and word of the Agreement, powers have been vested in the proposed police force to open finally the gates of No. 76 Jessfield Road and drive out of Shanghai the sweepings of the city's underworld which for too long has taken refuge behind them. These powers are granted by a clause which comes under the heading of "Close Pursuit." The clause provides that any person committing a crime in either area may be pursued by members of the police force, Settlement or Western Area, involved, and that those members will be held in no way to blame for crossing the boundary. The possibilities for action opened up by this clause are boundless, but they cannot be envisaged at present as including the right of way through the closely guarded grounds surrounding the headquarters of Nanking's local "Gestapo".

Nanking Still Silent

No matter how courageous the intentions of Mr. C. C. Pan, who is reported to have been named as chief of the new police unit, and Superintendents R. C. Hall, J. B. Clissold (Deputy Commissioners nominated by the S.M.P.) and A. H. Chamberlain (nominated as liaison officer), it is plain that unless they have the direct backing of the Nanking regime, they cannot hope to fulfil the provisions of the Agreement in the above respects. Nanking so far has shown no inclination to give them any assurances.

It is of particular interest to note that Mr. C. C. Pan, who for nearly nine years was a Chinese Deputy Commissioner of the Shanghai Municipal Police Specials, is a cousin of Pan Tse-chuen, the compradore of Jardine, Matheson and Company who was kidnaped nearly a month ago and has not been heard of since. Mr. C. C. Pan, or Pan Dah, as he is also known, was originally selected for the post of chief of the Western Area Police Force which the late Mayor Fu proposed to organize. It was reported in the *Evening Post and Mercury* that he had already established his headquarters at 34 Edinburgh Road last year. This is not far from a site on which it is freely rumoured that a new gambling house is being opened shortly under foreign management.

Complete details of the Agreement signed on Saturday were as follow:—

When Western Area Policing Agreement Was Signed

Above are the two signatories of the Shanghai Western Area policing Agreement which was finally reached last Saturday. Left, Mayor Chen Kung-po, who promised to clean up the western area some time ago but has yet done nothing about it, puts his name to the agreement, and right, Mr. "Tony" Keswick, Chairman of the Shanghai Municipal Council, affixes his. The agreement called for the "immediate" establishment of a police force which would be empowered by a special Annex to the Agreement to shut down the gambling dens, dope hells and brothels which have been contributing heavily towards the Nanking regime's revenue. In the picture Keswick is shown with his arm still in a sling as the result of a bullet wound inflicted by Mr. Hayashi, president of the Japanese Resident's Association, at the Ratepayers' meeting two weeks ago.

"1. These Regulations with three appendices are agreed to and recommended by the Chief of the Public in accordance with paragraph 2 of the **Modus Vivendi** on Policing concluded between the City Government of Greater Shanghai (Shanghai Municipal Government) and the Shanghai Municipal Council on February 16, 1940.

"2. The Western Shanghai Area Special Police Force will organize an institution known as the "Western Shanghai Area Special Police Force" (滬西特別警察總署), to control the area adjacent to the International Settlement and French Concession and the whole area formerly coming under the jurisdiction of West Shanghai Division and a section of the District coming under the jurisdiction of the Zikawei Police Division. The area will be divided into five police divisions. The area under the jurisdiction of the Western Shanghai Area Special Police Force will include the districts at present guarded by the Shanghai Foreign Defense Forces.

"3. The Western Shanghai Area Special Police Force shall be composed of the existing Police Main Corps, the whole West Shanghai Division, a part of the Zikawei Division and the officers of the Detective Branch Corps, together with officers recommended by the Municipal Council. The Force shall be the only organization o exercise Police powers in the Area concerned and shall be supervised and directed by the Chief of the Shanghai Municipal Police Bureau in accordance with the instructions of the Shanghai Municipal Government. The maximum strength of the Special Police Force including the officers recommended by the Municipal Council shall be 1,466 men with an additional reserve of 12 men.

"4. **Uniform:** The style of the Uniform of the Western Shanghai Area Special Police Force will be in accordance with the normal requirements of the Shanghai Municipal Government. Police badge will be designed with superimposed Chinese and Foreign characters meaning "Special Police", and worn by all ranks. Roman numerals as well as Chinese numerals will be worn by all ranks below that of Sub-Inspector.

"5. To meet emergencies and labor trouble, a Reserve Unit will be formed (see Appendix III). The strength of the Force will not be increased or decreased without the agreement of the Shanghai Municipal Government and the Shanghai Municipal Council.

Divisional Branches

"6. Under the Western Shanghai Area Special Police Force, there will be five Police Divisions, a number of Stations and Sub-Stations; one Commissioner, whose title will be (總署長), and one Deputy Commissioner, whose title will be (副總署長), who will, in accordance with the instructions of their superior officer, supervise and direct officers and men under their command.

The Divisional branches are as follows:—

1st Division: Soochow Creek on the North, Settlement Boundary on the East, Jessfield Road (exclusive) on the South, Brenan Piece (exclusive) on the West.

2nd Division: Jessfield Road (inclusive) on the North, Settlement Boundary on the East, Avenue Haig on the South, Edinburgh Road (inclusive) on the West.

3rd Division: Soochow Creek on the North, Brenan Piece (inclusive) and Edinburgh Road (exclusive) on the East, Yu Yuen Road (exclusive) on the South, Railway (exclusive) on the West.

4th Division: Yu Yuen Road (inclusive) on the North, Edinburgh Road (exclusive) on the East, Great Western Road (inclusive) on the West.

5th Division: Great Western Road (exclusive) on the North, Edinburgh Road (exclusive) and Avenue Haig (inclusive) on the East, Hungjao (inclusive) on the South, Railway (exclusive) on the West.

"The area to the west of the railway line will not be discussed owing to the general unsettled situation .

"7. The administration of the Western Shanghai Area Special Police Force will include the following branches, and their functions will be as under:—

"Police Affairs Branch: This Branch will deal with affairs relating to personnel, training, official correspondence, official seals, editing, statistics, equipment, arms, files, receiving and despatching of official correspondence, accounts and general business.

"Executive Branch: This Branch will deal with affairs relating to the security of peace, maintenance of public morals, traffic, census, sanitation and assistance to Municipal authorities.

"Special Branch: This Branch will deal with affairs relating to the suppression of Communists, reactionaries, collection of intelligence, mediation in labor disputes and suppression of reactionary newspapers, magazines, publications and writings.

"Foreign Affairs Branch: This Branch will deal with affairs relating to the protection of life and property of foreign nationals, and their domicile and trade; and will also handle cases involving foreign nationals and deal with foreign police officers.

"Crime Branch: This Branch will deal with affairs relating to criminal investigation, breach of Police Regulations, detention or release of prisoners, examination of finger prints and photos, collection of evidence.

"Supervising Branch: This Branch will deal with affairs relating to the supervision of outdoor and indoor staffs.

"Secretarial Office: This office will deal with confidential documents and keep records of all outside and interior correspondence.

Selection of Officers

"8. In each Branch there will be one officer in charge, one Deputy and 6 to 10 Junior Officer. In the Supervising Branch there will be a number of superintending Officers, while in the Secretarial Office there will be two secretaries. All of these officers are under the supervision and direction of the Commissioner but the Officer in charge with the instructions of the Commis-

of Police Affairs Branch in accordance sioner shall have the authority to direct Divisional Officers. If the officer in charge of a Branch is not a Municipal Council's nominee, the Deputy shall be selected from those nominated by the Shanghai Municipal Council.

"9. In each Police Division of the Western Shanghai Area Special Police Force, there will be one Divisional Officer and one or two Deputies who will be under the supervision and direction of the Commissioner and take charge of the business of the Division.

10. At the request of either party, the Western Shanghai Area Special Police Force and the Shanghai Municipal Police, each will at all times render assistance in accordance with the **modus vivendi** made separately (Appendix I).

"11. To facilitate operation the Western Shanghai Area Special Police Force and the Shanghai Municipal Police will each have a liaison officer with three assistants to deal with the exchange of intelligence, conducting coordinated searches and extradition of suspects and to assist in the satisfactory solution of diplomatic cases. A separate liaison office shall be established both at the Special Police Force Headquarters and at the Shanghai Municipal Police Department so as to facilitate liaison work.

S.M.C. Nominees

"12. A number of the staff of the Western Shanghai Area Special Police Force (including certain principal Officers) and Officers in Charge of Divisions wherein majority of residents are foreign nationals who own factories, shops and other property, and their Deputies, if deemed necesssary, will be appointed by the Shanghai Municipal Government among the candidates recommended by the Shanghai Municipal Council. Such candidates will include men of Chinese nationality. The following basic staff will be appointed from among such candidates:—

One Deputy Commissioner (European)
One Deputy (Japanese), one European and one Chinese attached to **Police Affairs Branch.**
One European and one Japanese attached to Executive Branch.
One Deputy (Japanese) and one European and one Japanese attached to Special Branch.
One European in Charge of Foreign Affairs Branch; with a staff of 17 Europeans, 9 Japanese and one Chinese for duty at various Divisions.
One Deputy (European) and one European and one Japanese attached to Crime Branch.
One Deputy (European), one Japanese and one Chinese attached to Supervizing Branch.
No. 1 Division: 1 Officer in Charge (Japanese) and 5 Sub-Inspectors (4 Japanese and 1 European).
No. 2 Division: 1 Officer in Charge (European) and 7 Sub-Inspectors (3 Japanese).
No. 3 Division: 1 Deputy (Japanese) and 2 Sub-Inspectors (1 Japanese).
No. 4 Division: 1 Deputy (European) and 2 Sub-Inspectors (1 Japanese).
No. 5 Division: 1 Deputy (European) and 2 Sub-Inspectors (1 Japanese).

All the the above recommended officers are entitled to an annual leave of three weeks with a reserve of six per cent. For the number of reserves under this Article and Article 18 see table attached.

Cases Involving Foreigners

"13. To expedite functioning, cases involving foreign nationals will be handled by Foreign Affairs Branch and Foreign Officers, under the instructions of the Deputy Commissioner, in accordance with Foreign Laws in force. As regards foreigners enjoying no Consular jurisdiction or having Consular jurisditcion abolished or without treaty rights they shall be dealt with in accordance with Chinese Law in force. The working procedure will be stipulated in separate rules (Appendix II).

"14. When a case involving a foreign national occurs, the Police on the spot should notify the Foreign Affairs Branch by telephone and the case shall be dealt with according to Article 13 above.

"15. In case of disagreement arising between officers recommended by the Shanghai Municipal Council and other officers appointed by the Shanghai Municipal Government, reference should be made to the Chief of the Police Bureau of the Shanghai Municipal Government and the Commissioner of Police, Shanghai Municipal Council, for their consideration and settlement. Failing such settlement, the disagreement will be referred to the Mayor of the Shanghai Municipal Government and the chairman of the Municipal Council for final settlement.

"16. **Discipline.** The appointment and discharge of Officers recommended by the Shanghai Municipal Council will be made with the approval of the Shanghai Municipal Government. They will be effected by means of official orders. Cases against Police Officers of any Nationality nominated by the Shanghai Municipal Council shall be dealt with by the Commissioner with the agreement of the Deputy Commissioner.

17. **European and Japanese Details:** The European and Japanese details nominated from the Shanghai Municipal Police will be solely responsible for the handling of Foreign and Japanese cases. Such cases will be handleed by the above officers as expeditiously as possible and referred to the Commissioner prior to their final disposal.

"18. It is agreed that in addition to the personnel specifically mentioned under Paragraph 12, 110 Chinese Police Constables together with 16 Sergeants and five Sub-Inspectors will be seconded from the Municipal Police to the Special Police Force.

Still Juggling

Glasgow Record

2nd Division; 2 Chinese Sub-Inspectors, 8 Sergeants and 60 Constables.
3rd Division: 1 Chinese Sub-Inspector, 2 Sergeants and 10 Constables.
4th Division: 1 Chinese Sub-Inspector, 2 Sergeants and 15 Constables.
5th Division: 1 Chinese Sub-Inspector, 4 Sergeants and 25 Constables.

19. The Terms of Service of Europeans, Japanese and Chinese nominated by the Council will remain in all respects unaltered. If replacements are necessary, these will be nominated by the Council for appointment by the Municipal Government

"20. **Employment of persons previously dismissed from the Shanghai Municipal Poliec:** No Polie Officer or Clerk previously dismissed or resigned from the Shanghai Municipal Police for improper conduct will be employed in the Western Special Area Police Force. No person previously convicted of a criminal offence, or previously dismissed from the French Police, will be employed in the Western Shanghai Area Special Police Force. The Shanghai Municipal Police will observe similar provisions in regard to men from the Western Shanghai Area Special Police Force.

"21. **Quarters:** Quarters will be supplied to personel nominated by the Shanghai Muniipal Council generally similar to the accomodation supplied in the Shanghai Municipal Poilce.

"22. After the establishment of the Force the following matters will be discussed and agreed to by the Commissioner and Deputy Commissioner and referred to the Mayor of the Municipal Government for approval if they are considered essential.

"(a) Quality and material in uniform for European and Japanese staff.
"(b) Additional Clerks and Translators necessary for smooth working.
"(c) Motor Car and Motor/Bicycle transport and Bicycles.
"(d) Armament.
"(e) Increase in Detective staff by transfers of Uniform men to Detective staff by transfers of Uniform men to Detective duty.

Chinese Official Language

"23. The rules governing the organization of the Western Shanghai Area Special Police Force and routine duties will be made on the basis of this Agreement and promulgated by the Municipal Government.

"24. Chinese shall be the official language of the Western Shanghai Area Special Police Force for all documents for outside public and for the interior.

"25. As soon as the new Force is ready to take charge, all Police not appointed to the new Force will hand over and withdraw.

"26. These regulations shall be made out in both the English and Chinese languages, but the explanations and interpretations of the various articles shall be based on the Chinese text.

Appendix I.

Agreement for close cooperation against the criminal element between the Western Area Special Police Force and the Shanghai Muniicpal Polie:

"As it is essential in the public interest that criminals who commit crimes in one area, do not not obtain safety in an adjacent area, it is suggested the following general provisions be agreed upon:—

"Close Pursuit:—Any person committing a crime in the Western area, who runs or escapes into the Settlement or **vice** versa, and is closely pursued and arrested, will be taken to the nearest Police Station of the area in which the arrest is made for record only, and will be handed over direct and at once, while the Police concerned will be held in no way to blame for crossing the boundary.

"Possession of Property Stolen: Any person found in the Settlement in possession of property stolen from the

Western Special Area, or **vice versa**, will be handed over to the Police Force controlling the area in which the property was stolen at once, as soon as particulars have been recorded at the appropriate Police Station.

"Following up Cases of Serious Crime: In the investigation of crime, when it is found by members of the Western Shanghai Area Special Police Force that confederates of a criminal gang are living or hiding in the area under the jurisdiction of the Municipal Police, the Police Station concerned will give immediate cooperation to the officers in charge of such cases to effect the arrests of such criminals.

"In the case of the following crimes, such persons when arrested will be handed over direct at once if there is reasonable suspicion that a true case exists:—

"Armed Kidnapping; Abduction; Armed Robbery; Robbery; Theatening Letters; Intimidation; Murder or Attempted Murder.

"The Western Shanghai Area Special Police Force will, within one week, report details of evidence against such accused, to the Shanghai Municipal Police or will return accused to the custody of the Municipal Police or vice versa.

"The Western Shanghai Area Special Police Force will afford similar facilities to the Shanghai Municipal Police under exactly similar conditions.

"Such prisoners will, in every case, receive proper treatment within the law, and be returned, if not charged, in good condition. Such prisoners will not be detained more than 24 hours without going to Court.

"Persons committing crimes in the Western Area shall be handed over direct to the Shanghai District Court to be dealt with according o law.

Following Up Other Crimes

"The direct handing over of suspects in less serious crimes will be ruled by the public interest, and in accordance with the evidence available.

"In carrying out the above, much will depend on goodwill and a sincere desire to combine against the criminal element and every effort must be made to follow the spirit as well as the letter of the understanding, while any attempt to misuse these provisions for cooperation can only result in a state of affairs harmful to the public whom it is our duty to protect.

Appendix II.

Relations of the Commissioner and Deputy Commissioner:

"(A) The Commissioner, in accordance with the instructions of his superior, will be responsible for the supervision and direction of his subordinate officers and men, whilst the Deputy Commissioner, in accordance with the instructions of his superior, will assist the Commissioner in a friendly and cooperative spirit in dealing with all matters in the area. The Deputy Commissioner shall be responsible to the Commissioner for the handling of all daily routine matters but must first refer such matters to the Commissioner for his examination and signature before execution.

"The relations of the Officers in charge of Divisions and their Deputies wil follow the same general principles.

"(B) In dealing with all matters concerning foreigners the Deputy Commissioner shall refer such matters to the Commissioner prior to their final disposal, and a written report shall be submitted by the Foreign Affairs Branch to the Commissioner through the Deputy Commissioner for his perusal.

"(C) In case of doubt arising in the proper handling of such cases, the Commissioner and Deputy Commissioner will, if unable to agree, refer respectively in writing to the Commissioner of Police of the Shanghai Municipal Government and the Commissioner of the Shanghai Muniipal Police for consideration and settlement or, failing such settlement, for reference to the Mayor of he Shanghai Municipal Government and the Chairman of the Shanghai Municipal Council for decision.

Appendix III.

Reserve Unit. Western Shanghai Area Special Police Force.

"In order to suppress riots or disturbances and labour troubles in the area under its control a Reserve Unit will be formed within the Western Shanghai Area Special Police Force with the following personnel:—

1 Officer in charge.
1 Deputy.
3 Officers in charge of squads.
2 Clerks.
9 Sergeants and 62 Constables.
Total—78 men.

"When called out to riot or disturbance, Foreign and Japanese members of the Foreign Affairs Branch will accompany the Unit, if Foreign interests are involved.

"Duties:

(1) To quell riots or disturbances.
(2) To take emergency precautions.
(3) To maintain order on the spot.
(4) To effect the arrest of robbers and bandits.
(5) To search pedestrians.
(6) To reinforce police beats.

"The Unit will be available at any time during 24 hours at strength not less than 1 Senior Officer and 50 other ranks.

"Equipment: The Unit will carry batons, rifles and will be trained in Riot Drill. Axoes and crowbars for breaking in doors will be carried with the transport.

"Operation: The Unit will operate under the orders of the Commissioner and under the direction of the Deputy Commissioner, but when despatched to Divisions to assist in their functions, it will be placed under the direction of the Officer in charge of the Division concerned.

Special Annex

"As soon as the Western Shanghai Area Special Police Force has been organized and established and begins to function in accordance with the Chinese law, all illegitimate businesses (such as the running of gambling dens, trafficking in opium and narcotics and providing addicts with such narcotics addicts with such narcotics) shall be forbidden to exist within the area under its jurisdiction.

"All illegitimate and unlawful businesses shall be ordered to cease with the inauguration of the Western Shanghai Area Special Police Force and the commencement of the discharge of its functions. Any attempt to resume such activities shall at once be strictly suppressed."

"Keep It Up"

Daily Express, London

Ratepayers Support S.M.C.

With loud and sustained applause at every occasion on which Mr. W. J. "Tony" Keswick, wounded Chairman of the Shanghai Municipal Council (**Review**, Feb. 1, 1941) rose to speak, Shanghai Ratepayers on Wednesday last voted themselves a 40 per cent surcharge on the already overwhelming burden of rates, taxes and fees they are compelled to disgorge in order to support its air conditioned civic organization.

About 30 Japanese, most of them officials, turned up to the meeting, which was resumed from its abrupt adjournment on January 23, when Keswick was shot by Y. Hayashi, self-made president of the Japanese ratepayers' Association. Hayashi and about 800 other Japanese who had been present at the meeting on January 23 were absent yesterday. The other Japanese boycotted the meeting in accordance with a decision reached by the Hongkew Street Unions, the Japanese Residents' Association and various other groups because they considered the tax increase would be railroaded through by western votes regardless of their Japanese wishes.

Railroaded through the tax increase was on Wednesday, when the "Ayes" polled 7,055 to five. It was a striking victory for Shanghai's old guard of vested interests; a striking victory for western susceptibilities outraged by the shooting affray on January 23, and most of all, it was a victory for the senseless system of race and nationalism by which the Shanghai Municipal Council's "pivot boys" have managed to retain their well-paid posts at the cost of those who can afford them least at a time when they are hardest hit.

Precautions intensified as a result of the Hayashi affair were redoubled for the meeting owing to an abortive attempt last Monday by two Japanese to burn down the matshed in which the meeting was held at the Shanghai Race Club's public stands. While "Little Tokyo's" patriots were agitating ardently for the release of Hayashi on bail and were organizing petitions asking leniency on his behalf, two scoundrels, reported by the Japanese Consular Police authorities last Tuesday to have been arrested by gendarmes as they attempted to escape through the western area barriers, tried to fire the matsheds early on Monday morning.

According to all available information, the men commandeered a hire car in Hongkew, armed themselves with bottles of petrol and set off for the Race Club. Unable to find an entrance through which to drive the car, they crashed through the bamboo fence surrounding the race track along Mohawk Road and drove along to the matsheds. There they sprinkled petrol on the structure and set fire to it. The flames, however, failed to take hold and members of the Russian Regiment quartered in the public stands rushed to investigate. The two Japanese opened fire with a pistol and the Russians replied, neither party, however, finding a target.

There were no signs of the incendiary attack visible at Wednesday's meeting, but alterations had been made to the officials' platform so that access was possible from the back only, while a special stand for public speakers was erected some distance from the platform.

New Japanese Offensive Launched in Honan in Effort to Gain Control of Peiping-Hankow Railway Line

Another Japanese military offensive, believed in some quarters to be only but coincidental with a new "peace" statement in the Japanese Lower House, and viewed by others as a new attempt to gain control of the entire Peiping-Hankow Line, was launched in Southern Honan last week with Sinyang as the pivot of operations.

The Japanese "peace" statement was made on January 29 by Tokyo's Foreign Minister, Mr. Yosuke Matsuoka, who, after admitting abandonment of the Japanese policy of not dealing with the Chinese Government, revealed that Japan at present was seeking the amalgamation of General Chiang Kai-shek's government with that of Mr. Wang Ching-wei, instead of negotiating directly.

Mr. Wang Ching-wei, stressed Mr. Yosuke Matsuoka, would be ready to forfeit his life rather than be an obstruction to peace between Japan and China. Mr. Wang was also said ready to accept obscurity, exile, or "would not regret even to die if only Chungking would reconsider peace with Japan." The Japanese Foreign Minister further said that the Japanese Government hoped the occasion of amalgamation would present itself following Chungking Government's "reconsideration".

Havas reported from Chungking that no peace overtures had been received in Chungking either from Japan directly or through Wang Ching-wei. Any peace moves on the part of the Japanese seeking to impair China's territorial and administrative integrity would, according to these quarters, be doomed to failure.

The Japanese offensive in Honan, was launched with simultaneous attacks in the northern, eastern and southern areas of the province in an attempt to re-establish rail communications on the Peiping-Hankow line. In the first two areas the Japanese effectives were not numerous and their activities aimed mostly at supporting the action of the main body of troops in the south. In northern Honan, a Japanese column left Tsinyang and halted at Tsaohsientsi and Hwanghokow (on the northern bank of the Yellow River). In Eastern Honan, a Japanese column attempted to attack Chusiencheng (south of Kaifeng) but was thrown back by the Chinese forces.

Hung River Said Crossed

The main body of the Japanese forces, accompanied by motorized units and supported by planes, started to advance northward on January 24 from Chantaikwan, Chushantien and Yuho, bases north of Singyang, important Honan railway center near the Hupeh border. By January 30 the Japanese claimed to have arrived at a line formed roughly by Paoan and Siping and to have passed through Wuyang. Part of the Japanese forces were said to have crossed the Hung River. According to a latest *Domei* dispatch from Kaifeng, the Japanese claimed to have "reduced" Kiangtsuntsi, Kaikungkiao and Yuhotsi, in Honan, and to have seized a small island in the Yellow River. Seizure of the island, *Domei* said, reduced to six kilometers the distance between the forces advancing southward and those advancing northward along the Peiping-Hankow railroad.

The Chinese admitted that the weight of the Japanese attack was in this area but belittled its significance, declaring that the spearheads of the Japanese drive had "reached points previously planned in our program." Latest reports from Chungking stated that the "program" had already made great progress with Japanese troops both north and south of the Hung River claimed to have been wiped out. The Japanese were said to have suffered large casualties in the recent battle at Shahotien. The fighting was reported to have now shifted to the southern section of the Peiping-Hankow Railway with the Chinese troops launching a furious counter-offensive at Siuping, Shangtsai and Paoanchen on Feb. 1. According to a *Havas* report from Chungking, the Chinese tactics consisted not only of a frontal attack, but were mostly in the nature of a sweeping flank movement with the Peiping-Hankow railway as a pivot, and extending along the entire plain of central Honan and the mountainous Fangshan region.

Seeking to prevent the transfer of the Chinese reinforcements to the Honan fronts, Japanese forces in north Hupeh and western Anhwei also launched a series of "nuisance" skirmishes. The Japanese attack in northern Hupeh was launched in three columns, one pushing from Tangying towards Kwanyinyai, but withdrawing after severe fighting on Jan. 28 to Tangying. Another column attempted to drive northward from Kingmen, but was repulsed by Chinese troops, while a third column moved north from Chungtsiang and on Jan. 27 also withdrew to its original position.

In the northwestern corner of Anhwei Province, the Japanese were said to have launced an attack against Kwoyang, southeast of Houhsien, in the early part of last week. Chinese garrisoning the area took up the challenge and claimed to have repulsed the attack.

Strategic importance was given the battleground of central Honan by an editorial in *Shun Pao*. This paper stated that the Japanese troops had tried repeatedly to control the entire Peiping-Hankow and the Wuchang-Canton Railways in order to have a complete line of communications from Peiping to Canton. The present hostilities, observed the paper, were another attempt by the Japanese to control the Railway. With control of the line, the Japanese hoped to consolidate their gains in the occupied areas.

"Nipponese Indigestion"

Shih Ssu Lei Pien.

Cartoon from Chungking paper shows the Japanese warlord suffering from serious indigestion resulting from an inability to digest the Chinese elements, military and otherwise, which he has swallowed since the beginning of the war.

Mirs Bay Landing

The Japanese Army in South China, in co-operation with the Japanese Navy, effected a landing at 5.30 a.m. on February in Mirs Bay at a point south-east of Waichow, in order to cut the Hongkong-Shiukwan highway, according to *Reuter*, quoting the Japanese Army spokesman.

The spokesman also stated that since the beginning of the year the Japanese forces had destroyed 65 lorries, 182 junks, 500 bales of goods, 20,000 tins of gasoline, 15 warehouses and a number of railway stations.

Japanese believed that little Chinese resistance was expected against

WOOD-CUT ARTISTS DEPICT DEVELOPMENTS IN THE WAR

Determination for another year—by G. N. Wang.

Japanese bomb and undefended city. By Henry Wang.

Chinese troops capture a Japanese truck—by W. S. Shih

the operation directed at cutting off the Mirs Bay route, by which war supplies were transported from Hongkong towards Shuichow, the headquarters of General Yu Han-mou, deputy-commander of the Chungking Fourth War Zone.

Following the sealing of the import channel through Indo-China by stationing Japanese forces in Tonkin, and the alleged disruption of the Burma Route by Japanese bombings, the Chungking Government sought to acquire motor vehicles and gasoline through the Mirs Bay route, the Japanese army spokesman declared.

Gen. Lung Yun "Ready"

General Lung Yun, Governor of Yunnan Province, was war news again on Feb. 2 when he repeated that Chinese forces in Yunnan were "ready" should the Japanese attack from French Indo-China, According to a Kunming dispatch published by the *Ta Kung Pao*, Japanese efforts to mediate in the Thai-Indo-China conflict were foreseen by General Lung as aimed at consolidating Japan's postion in Tonkin in particular and all Indo-China in general, thus to use it as springboard to attack Yunnan. "Should the Japanese attack Yunnan, however," Gen. Lung said," we are ready to check any advance across the border".

Japanese air raids continued unabated last week. According to the Japanese reports, Lungchow, Mingkiang and other points in Kwangsi Province were bombed on Jan. 28, while Nancheng, in south-west Shensi, and Kingtehchen in North Kiangsi were bombed on Jan. 31 and Feb. 1. Kunming, provincial capital of Yunnan, was also raided on Jan. 28 and the following day. In the latter raid, bombs were dropped over a wide area by 27 Japanese planes, destroying numerous houses and causing scores of casualties. A vocational school was compleley destroyed.

In recent Japanese air raids over Ki-an, Kiangsi, one of the planes was shot down by Chinese anti-aircraft guns, Chinese reports claimed. The wreckage of the plane was discovered on Jan. 31 in a village three miles south-west of Shangjao, eastern Kiangsi. Another Japanese light bomber was reported to have made a forced landing on the outskirts of Shangcheng, south-eastern Honan on Jan. 29 and was immediately seized by Chinese troops. Three Japanese pilots were taken in prisoner.

Fourth Army Dispute

The New Fourth Army dispute, although declared by Generalissimo Chiang Kai-shek to have been "entirely closed", (*Review*, Feb. 1), received international attention last week, when Official and other circles in Washington were reported by *Reuter* to have been watching with interest matched only by their concern the civil strife in China. It was believed, however, that Generalissimo Chiang Kai-shek with skillful handling could avert what might become a disaster for China and victory for the Far East Axis partner.

The dispute was also lamented by the *New York Herald-Tribune* in an editorial titled "An Untimely Chinese Feud." The paper states that Gen. Chiang may have been grudging and parsimonious in his assistance to the Reds, but points out there was much fear in the Kuomintang and among Government officials that unless somthing is done a final victory over Japan also might be a communist victory over China and China would be out of the Japanese frying pan into the Soviet fire. The paper expressed confidence that Gen. Chiang was too big to foster the feud, hoped he was enough to bring it under control.

The rout of the Fourth Army, however, gained no warm reception from Moscow as *Pravda*, official Government organ, on Jan. 27 blamed "narrow party considerations." The paper said that progressive Chinese circles foresaw the eventual liquidation of the Eighth Army, which also was Communist. This "would mean the spreading of civil war, which would only weaken China," *Pravda* warned.

Japanese reports elaborated laborously last week on the dispute. A *Domei* report from Hongkong on Jan. 28 stated that 40,000 Communist troops under the command of General Hsu Hsiang-chien, attempting to break through the encircling lines of the Chungking forces, were repulsing General Yu Hsue-chung's army in Kiangsu and Shangtung Special War Zones. *Domei* further understood that General Hsu Hsiang-chien was seeking to join forces with remnants of the New Fourth Army which fled north after the main body was crushed by an offensive directed by General Ku Chu-tung.

The Chinese military spokesman in Chungking admitted that a small remnant of the New Fourth Army, at present in northern Anhwei, are still at large. Their suppression was expected to be effected shortly, but there had been no actual fighting between the two armies. General Yeh Ting, insubordinate Commander of the disbanded army, was reported by *Kuo Min* to have been escorted to Shangjao, Eastern Kiangsi where he will be court-martialled for leading the recent revolt of the Fourth Army.

Gen. Sutton Here

General Francis Arthur Sutton, better known as "One-Arm" Sutton, British soldier of fortune, who once rated as a "major-general" in the army of the late Manchurian War Lord, Chang Tso-ling, is in Shanghai. He is here, according to long interviews in the local newspapers, for the purpose of promoting a road from China to India. The new road, he said, would run from Szechuen to Batang, thence over the Brahmaputra Range of the Himalayas and ultimately reach Calcutta. The General also referred to a munition factory which he owns—or is promoting—and said it would aid Chinese resistance. For the past year or so, Gen. Sutton has resided in Hongkong. Aside from his adventures in Manchuria, Siberia, Upper Yangtsze, British Columbia, he has written a book, mainly about himself, and contributed a series of articles to **Liberty**, which also were concerned with his adventures as an adviser to various Chinese warlords. He once invented a trench-mortar suitable for Chinese warfare, which was manufactured in wholesale lots in the late Chang Tso-ling's arsenal at Mukden.

"SOUND AND FURY" OF THE WAR IN SHANGHAI

Above are reproductions of three British language propaganda organs now being issued in Shanghai by the European War belligerents. The junior member of the trio is the Italian sheet on the right which began printing in mid-January and is a poor sample of newspaper production as compared with the more polished displays of the British **Noon Bulletin** and the Nazi **Noon Extra.** The front page of the above issue was devoted mostly to Hitler's recent speech, with a denial of uprisings in Italy in Column 4. In general the contents claimed tremendous Axis victories, branded Allied reports as "lies" frequently ascribed to the machinations of international Jewry. **Rome Radio** is the most extensively quoted source of information with **Stefani** next and **D.N.B.,** the official German propaganda organization a poor third. The Japanese propaganda agency, **Domei,** is not used at all either in the Italian sheet or the German **Noon Extra,** shown center above, which relies totally on **Transocean** news service, the forerunner of which during the last War was ironically referred to by the veteran British writer H. G. W. Woodhead, C. B. E., as the "Half-Seas Over" Service. Whatever the case during the last war, it is generally known among journalistic circles in Shanghai that the Nazi propaganda agency in the Far East is spending more money and spending it more wisely, than British, Italian or Japanese counterparts. Quite a few fairly well-known writers in China have been induced by the favorable terms offered by Transocean and other agencies to see eye to eye with Hitler's aims, while the German propaganda among the Japanese and Chinese has been particularly assiduously applied.

The banner line partially hidden by the other two sheets in the above picture declares "Luftwaffe Paralyzes British Shipping in Atlantic." Selection of news for display obviously is limited by the supply, but the appearance of genuine international interest is attained by playing up stories other than directly concerned with the War.

While the Germans demand 10 cents per copy for their **Noon Extra,** the **Noon Bulletin,** which is printed and published by the **North China Daily News** for the British Ministry of Information, is distributed free. The British news agency **Reuter's** reports are given the greatest prominence for the most part, but the neutral American news service, **United Press** also is used by the **Noon Bulletin.**

This sheet is undoubtedly the most reliable of the three as a source of straight news, while the propaganda which generally packs pages 3 and 4 is culled from English newspapers for the most part and is sometimes entertaining. Another point which has weighed heavily in favor of the **Noon Bulletin** with the passage of time—although it was a constant source of irritation to Shanghai's considerable body of belligerent neutrals at the outset—has been its dignified refusal to counter insults and provocation in the Axis sheets. This policy probably was laid down by Mr. A. Morley, who organized the sheet originally. Morley previously was Editor of the **Shanghai Times,** on which, despite its violently pro-Japanese policy, he maintained among Shanghai newscircles a reputation for accuracy, dignity and restraint. It was freely rumored when he left the **Shanghai Times** to join the British Ministry of Information that he had had differences of opinion with the paper's management on editorial policy since the outbreak of the war.

The aggressive policies of the Axis propaganda sheets reproduced above and the stolid British dignity as shown in the **Noon Bulletin** reflect the line followed by the respective propaganda organizations on the air. Apart from the pre-war pro-British news broadcasts delivered by the **North China Daily News,** the British Ministry of Information opened up a new station, **XCDN,** over which is broadcast news, talks and entertainment in various languages. They also broadcast in French through Station FFZ.

The Germans organized their own station, too, and went on the air on a wavelength just below that of Station **XMHA** the American station on which Mr. Carol Alcott broadcasts. It was notable at first that the Germans so arranged their British news broadcasts to come directly before or directly after Alcott's news commentary, but it is believed that this practice has been abandoned.

The German station, **XGRS,** at one time featured an evening news commentary in English and for a period there was waged between this commentator and Mr. Alcott a wordy war in which the latter's broad wit increased as the former's bitterness grew. The Nazi commentator was declared to have taken the count when Alcott christened him "Shanghai's Lord Hee-Haw," after Berlin Radio's famous British-language commentator, who is referred to rudely by Britons as "Lord Haw-Haw."

While "belligerent neutral" Alcott was doing more on the air for the Allied cause than any of the recognized British propagandists, the Germans apparently were not idle. They impudently advertised the opening of their propaganda station in the columns of the **North China Daily News** and recently again made that staid British organ the victim of a trick which would not have been without humor had it not involved rather seriously the woman owner of a British radio station. Working through various members of its organization, the German group induced the woman, a Mrs. Robertson, to sell them time for a program to present a new form of entertainment. The broadcast was advertised in the **North China Daily News** and the **Shanghai Times** as well as other British language papers. It turned out to be a villifying anti-British program. The brains behind this stunt were reported to have been Herbert Moy, an American-born Chinese at one time connected with station XMHA, and a German named Flick, or Fick. This latter was reported to have arrived in Shanghai comparatively recently from Germany and is reputed to hold a position high in the Nazi party. He was in Tientsin last year, and, according to one man who knew him, spent money freely among Chinese and Japanese in entertainment on a lavish scale. It was also declared that he wielded more than usual influence over the Tientsin Nazi branch. When the trick on Mrs. Robertson was exposed, the woman immediately published an explanation and apology in the papers concerned.

Balkan Peninsula Presents Many Possibilities for War Makers

Chicago Daily News

At an Old World crossroads, bisected by the Danube and furrowed by mountain ranges, lies the Balkan Peninsula, a land of perennial unrest.

Historic hatreds are a part of life among the Balkan nations. But turmoil in the Balkans today is due largely to the strife between the great powers. To get at each other they are once more using the Balkan crossroads.

The German-Italian Axis wants a Balkan accord to facilitate its drive to the east. Russia has given evidence of uneasiness as the Axis push brings German troops closer to the Ukraine and the Dardanelles. Britain, says the **Chicago Daily News**, would profit by any explosion which impeded the Axis advance.

Rumania and Hungary have joined up with the Axis, but this has not removed the deep-seated dislike they have for each other. Rumanians are smarting under the humiliation of losing Transylvania to Hungary in the September revision of Balkan borders. Hungary also covets territory ceded to Yugoslavia.

Bulgaria has an old grudge against Rumania, Greece and Yugoslavia. She wants an Aegean port from Greece and lands the other two got from her at Versailles. She has been under Russian influence, but King Boris has conferred with Hitler about border revision. Turkey threatens war with her if she invades Greece or permits Nazi freeway.

Yugoslavia fears the Axis, but has maintained strict neutrality. Down her Vardar Valley is one of the Axis routes to Salonika, and she fears the Axis may seek to recoup the Albanian debacle that way. She's been close to Russia diplomatically, but rumors persist that she may make some kind of a deal with the Axis. She controls the mid-Danube, a water route vital to Germany for importations of oil and cereals from the Balkans.

Turkey is a question mark. She has an alliance with Greece against Bulgaria, and is avowedly Britain's ally. But she also has been closer than any other country to Russia. Her relations with Germany are strained. She has redoubtable natural defense lines.

Greece, with British aid, already has beaten Italian armies back in Albania. This loss of face may have serious repercussions in stalling the Axis "behave or else" policy in dealing with Balkan nations.

Geography determines routes of invasion in the Balkans. Italy has failed to crack the Pindus Mountains approach to Greece. The Vardar Valley through Yukoslavia or a push through Bulgaria remain, with Salonika as the goal of each.

Yugoslavia's northern plain is open to attack, but her southern mountains are tough country. Russia's Ukraine is flat, fat land, wide open to German legions pouring through the Carpathians —should Russia and Germany become hostile. But that would cancel out all hope of Russian oil, which the Axis vitally needs.

Then there's a last strategic possibility.

Britain officialdom asserts that Italy's Navy is badly damaged now, after daring British attacks. Britain has bases on Crete. If Greece overruns Albania, the Fascist fleet might be hard put to defend against simultaneous sorties in force from Crete and Albania against Italy herself.

Voice of Germany Heard by "London Times" in Recent Outbursts from Tokyo; Aggression Condemned

CONDENSED FROM "THE LONDON TIMES"

Is it entirely without significance that we are now beginning to hear of the oppressed peoples of Indo-China, Malaya, Burma, etcetera (in round figures) groaning under the yoke of the white man?

The recent speech of the Japanese Foreign Minister before the Diet was cordial to the Axis, placatory to the Soviet Uniton, formally friendly to the South American states and vaguely menacing to Indo-China, Thailand and the Netherlands East Indies. But the real significance of the speech was that there emerged unmistakably the shadow of encirclement by the British Empire and the United States. One could almost hear the voice of Germany.

The British Empire, engaged in the greatest struggle of all time with a powerful, tenacious foe, and the United States, whose main publicly declared endeavor is to assist the Empire in the struggle, can nevertheless spare time and trouble to encircle Japan.

"Will Believe Anything"

It is hardly credible, but anyone who believes Germany, and there is some reason to suppose that the leaders of Japan today do, will believe anything. Is the shadow of encirclement the shadow which precedes events? Is the event in its turn the shape which will call action just and inevitable? It seems hardly credible that Japan would resort to so disastrous and suicidal a course.

The war of 1914-18 offered unparalleled opportunities for expansion of trade. As a signatory to the treaty of Versailles (a fact conveniently ovelooked by both Germany and Japan today) Japan benefited by the fruits of victory and secured among other things a mandate over the German Marshall and Caroline Islands, details of whose administrations and development she has been curiously reluctant to divulge to the world at large for some time past.

As a result of enormous sacrifice of blood and treasure by the Allies, Japan enjoyed years of propserity and peace, ordered government and growing world trade. The speculative tendency of Japanese finance meant that the great slump of 1929 struck Japan even more severely than most other nations but she pursued a sane if arduous policy of trying to restore her trade and financial position by normal means.

Tried Friendliness

She did more: she pursued the inevitably right policy of trying to cultivate Chinese friendship. This was the only way she could hope to secure that large share of the Chinese market which close proximity to cheap manufactures would entitle her.

"But the long record of Sino-Japanese animosity dating particularly from the war of 1894-5 and from the 31 demands of 1915 was not easily eradicated. The virtuous and patient perseverance which won Japan the respect of other countries in by-gone days tended to be obscured during the rapid rise in the nation of ambitious materialism.

"This gave certain elements in the Army an opportunity in September, 1931, to attempt a short cut to prosperity. Japan was launched upon the path of aggression. When Manchuria had fallen and a puppet regime was established it became clear as early as 1935 that North China formed the next stepping stone of Japanese expansion.

Hostilities Continue

Hostilities which began in 1937 and have continued nearly four years have caused countless suffering to millions of people and led to the cocupation of all the ports of China and many great cities but have not yet brought Japan what she sought, nor altered the will of the Chinese people to be masters of their own destiny.

"The Japanese public did not suppose for a momemt that the campaign against China would be anything but a short and glorious affair. To explain the prolongation of the conflict it became necessary to lay the blame on Great Britain as the chief villain in the piece. This was the more natural because Britain has wider interests and associations in China than any other Power.

Unity Aroused

By her action of attempting to dominate China she has aroused in the Chinese nation a unity, will to resist and combative spirit which never was previously seen in a normally peace-loving people. What Japan has aroused she now seeks to quell. It perhaps not surprising that she seeks to lay the blame elsewhere.

"With the apparent impasse in China, the war in Europe appeared to present possibilities to Japan. During the preliminary inactivity she was content to remain passive but when at the end of June, 1940, Germany could claim to have overrun and conquered Poland, Denmark, Norway, Holland, Belgium, Luxemburg and France, there surely was proof if ever proof were needed that agression does pay. Japan changed her Government and the new Government, of which Mr. Matsuoka has been the spokesman, after a little preliminary hesitation, signed the pact with Germany and Italy openly ranging Japan with Britain's enemies and threatening the United States if she dared to intervene. It was perhaps a pity that already by the time the pact was signed it had become apparent that the immediate overthrow of Great Britain, promised by Hitler to the world was unlikely.

When this fact became patent and at the same time the United States displayed most lively and apparently unexpected reactions to the pact, there was indeed a degree of hesitation in Japan and the world was puzzled to learn at one moment that the pact did not mean what it said and the next that it meant precisely that. But Germany was at hand, she whispered in Japan's ear that all was well, that the United States was not ready for war and could be frightened with a few sturdy threats and that Britain's destruction had been deferred only to make it more effective.

Germany Seducer

What Germany said and is saying to Japan is that if she will take her courage in both hands all she covets lies within her grasp. What Germany wants is to have Japan become embroiled in the war as the service thereby rendered Germany would be obvious. But if Japan should not win that would not matter to Germany for at worst all three Powers would have been weakened and it is no part of the Hitlerian plan that Japan would occupy an equal place with Germany in a new world order. It is as a pawn, not a partner that she is destined to play her role.

From Mr. Matsuoka's speeck Germany may well judge that the blandishments have not been in vain. At first sight the speech would appear to contain a threat against the security not only of Indo-China, Thailand and the Netherlands East Indies but also Britain and the United States. That is a tall order and if Japan elects to attack there is such a thing as vigorous, resolute defense with all those weapons of modern war to which Mr. Matsuoka referred and with which Japan is yet unfamiliar.

The real threats of Mr. Matsuoka were not against the security of the countries mentioned but against the peace and prosperity, happiness and welfare of the Japanese people. After 10 years of conquest which has brought them neither spiritual nor material wellbeing, after a struggle in which lives have been lost and deprivations suffered to no purpose, they are being exhorted to believe that aggression is a good investment and that although no dividends have been paid hitherto further effort, more capital outlay and sacrifice will bring them not only dividends but a substantial bonus.

Japanese Hypnotized

Such cynical disregard of human values might become Hitler himself. It becomes those leaders of Japan who believe in Germany's star and are hypnotized by it. That their frenzied finance and bad politics may now push the people to irretrievable disasters means nothing. Germany has spoken. What Germany says must be true.

It is a solemn thought that not many decades ago great men led Japan to greatness. Mr. Ito, Mr. Yamatata, Mr. Okuma and Prince Saionji were names to conjure with. Such men may have had dreams of empire but they did not suffer the folly of grandeur nor did they seek blindly for imperfect friends. Though in the course of a half century they transformed a feudal state into a modern nation they did not plunge their country into reckless adventure nor cry "encirclement." They spoke the voice of Japan. That is why Japan then rested on a solid foundation.

"But slumbering volcanoes were always there and have been in eruption for 10 years. The forces of restraint have been weakened and the molted tide flows destructively onwards. Will it not sooner or or later reach an impenetrable barrier against which it will pile itself in vain? The eruption will then cease and the surface will cool but underneath will lie ruins for a thousand years."

**The London Times, from which the above article was condensed, is widely regarded as the mirror of Britain's foreign policy. So highly is it held in the esteem of British Government circles that when the printing plant of the paper was bombed by Nazi raiders some two months ago, the management was congratuated personally by Mr. Winston Courchill, the British Premier, on having delivered according to schedule. The Times, it will be recalled, accurately predicted the result of the Hitler-Chamberlain meeting at Munich—some even say that the "Thunderer" ordered it. The paper has no connection with the Shanghai Times, which although British, might find it difficult to reconcile its editorial policy with that outlined by its famous peer in this article.*

Exchange, Currency Battle Looms in Shanghai While City Awaits Spring's Threat; Operators Withdraw

BY JOHN AHLERS

Another exchange and currency crisis faces Shanghai, and the next few months may bring fierce monetary battles the outcome of which it is impossible to approximate. Canny speculators no longer make one-sided dispositions but have cautiously built up multiple hedging positions from which they hope to take advantage of possible panics. Some formerly prominent Shanghai operators have withdrawn altogether and oldestablished interests are liquidating whatever holdings they can liquidate, preferring to evacuate while the going is still good.

Expectations in local finance circles vary, conflict. Involvement of the U.S.A. in war with Germany or Japan, or freezing of U.S. foreign accounts would damage the Shanghai standing of U.S. currency. Spectacular German successes, or successful British resistance at home and further victories over Italy will damage or boost the British pound. Should the British stop the Sterling Bloc capital flight via Hongkong, this would raise the local free London-New York cross-rate which recently already firmed up to U.S.$3.839. Improvement of Shanghai Sterling rates resulting from a decrease of local Sterling sales would be unlikely to carry the Chinese dollar along too. Increased forced-circulation of Wang Ching-wei money, or weakening of Shanghai-Hongkong-Chungking financial ties, would ease fapi. Increased Anglo-Saxon, Russian aid to Free China would tend to improve fapi.

The situation, of course, centers around China's national dollar, the position of which is by no means desperate. Assuming fapi circulation to approximate Ch.$7,500,000,000, this at current rates boils down to U.S.$400,000,000. If to-morrow came peace, the immediate establishment by Chungking of a convertible currency reserve of 25 per cent would be possible, National currency would not deteriorate; in all probability, psychologic factors would boost its exchange rate far higher than Chungking might desire in view of state revenue and state indebtedness. The chance of peace is remote, however, and just now national currency is on the defensive in Shanghai.

Prospects Unfavorable

Shanghai exchange rates after the Spring Festival, reopened for February delivery easy at 5-11/32 American dollar cents, and 3-23/64 British pence per Chinese dollar, nearly a record low for the last six months. Immediate technical prospects of national currency at Shanghai are not favorable. Influx of capital from abroad has practically stopped, and some capital flight observed instead. Importers are developing a strong legitimate demand for foreign exchange—the height of the import season is just ahead, and the local import surplus is once more considerable as export values approach the year's normal low. Bulk of the new Anglo-Saxon credits to Chungking clearly is not earmarked for Shanghai exchange intervention, as though free China continues to give some local support, it is sufficient only to prevent exaggerated rate vacillations, and obviously not to maintain here an artificial level not in accord with the local situation.

Affecting national currency's local position, Wang Ching-wei money, though circulation here still is only one for every $100 of Chungking money, within a month of its inauguration was three times more in evidence than highest mark ever established by Hua Hsing, and it continues to expand. Surrender to Nanking of the French Concession's Chinese District Courts, and possibility of at least a partial surrender of Courts in the International Settlement following the past week's Outside Road's Agreement, place local Chinese banks in a position in which they cannot oppose "new order" money. All important Chinese banks here, including branches of Chinese Government banks, have been compelled to open accounts in Wang money to Wang's Central Reserve Bank. Had banks refused, they would have had to face the Nanking-controlled Courts, with obvious results.

No Security Reserve

Nanking, February 3.

As of January 31 last, the total amount of the note issue of the Central Reserve Bank was $13,719,010,38, "fully covered by a 100 per cent reserve, according to a report issued by the Bank through the Nanking Central Press Service. Following was the report in detail:

Notes issued	$12,210,440.00
Subsidiary-Notes issued	1,508,570.88
TOTAL	$13,719,010.88
Reserve Fund	
Cash Reserve	$13,719,010.88
Security Reserve	none
TOTAL	$13,719,010.88

Foreigners Watch On

No important foreign bank thus has dealt in Wang currency; they are leaving it to the local Chinese business men to fight it out between national and Wang dollars. Should the latter establish themselves in the long run, foreign banks here just as in Manchuria and Tientsin probably will accept the new money. In the foreign exchange market, Wang's Central Reserve Bank through various brokers appears to have effected a few operations in foreign currencies on a national dollar basis, but not yet in substantial proportion. It seems that since Washington's contemplation of a decree "freezing" foreign accounts in U.S.A., Chou Fu-hai has abandoned his original idea of accumulating foreign exchange funds (because such "freezing" certainly would leave Nanking with no hope of securing "freeing" permits), and instead trying to overwhelm the local Chinese illegal gold bar market and buy gold bullion wherever he can. His operations of late exercized increasing influence upon this particular market, where in Nanking does not seem alien even to marginal speculation.

Complicated, uncomfortably vulnerable, Shanghai finance waits for new great world events apparently looming this spring. At the moment, various counter-balances established by the local factors still dominate the market. But sweeping new events of world consequence may at any time relegate into the background all local factors, and may result in local exchange and currency repercussions altogether unpredictable.

Italians Continue to Retreat in Africa

The tempo of the Italian retreat increased on all American fronts last week and especially in Libya, where the British were advancing an average of 20 to 30 miles daily. In Albania the Greeks continued to make slow, but important progress.

The Italians in Libya were in a difficult position under constant heavy R. A. F. bombardment and from Derna, which fell last Saturday, were falling back towards Benghazi, Italian headquarters in northern Libya, according to United Press from Cairo.

It was unknown whether the Italians would attempt to make a determined stand in Libya before they retreated to Benghazi.

Authoritative sources believed Benghazi itself lacked a defense comparable to Bardia's and Tobruk's, which the British cracked after repeated hammering.

Meanwhile, in Eritrea, "operations about Cheren are developing successfully," the British General Headquarters communique reported. "Italian forces retreating to the east from Barentu and Biacundi are being heavily pressed, leaving on all routes a litter of war material and vehicles.

"In addition to those already reported, many hundreds of prisoners were captured," the communique said.

Five China Britons Given Commissions

Five China Britons who volunteered for army service in Malaya have already been commissioned says a **Reuter** message from Singapore. They are N. F. Webb, D. I. Campbell, G. H. Heathcote, E. M. Golder and F. Cessford.

In addition, Mr. F. A. Sampson, well-known in journalistic circles in Shanghai, is now on special duty and awaiting a commission, while Mr. H. G. Fabian, Shanghai sportsman, has left the army for a commission in the Royal Naval Volunteer Reserve.

Six others are now attending the Malay Officers Cadet Training Unit after serving three months in the ranks and satisfying the requirements of their commanding officers: A. A. White, R. G. Woodhead and D. M. Wheldon of the Royal Artillery, and H. T. A. Wade, A. E. Newland and A. H. Gouda of the infantry.

Quite a number of China volunteers are serving in the ranks, mostly in the infantry and artillery, although some are in the R.A.S.C., R.A.O.C., or R.A.M.C. These include: L. Foox, H.T.E. Cooke, L. H. Cooke, P. Kaye, E.S.J. Blackwood, N.M. Dorval, N. Hadden, A.P. Cooke, A. H. Crank, J. Barrett, T. F. White, J. A. Davis, G. R. Whitmore, F. H. Dudley, F. J. Sinn, G. L. Hinds, H. B. McLean, E. J. Muir, A. W. Coppin, S. J. Wyatt, E. A. Cooke, R. L. Heath and W. C. Yates.

Others who came to Malaya but moved on to an Officers' Cadet Training Unit in India include: P. B. Tay, H. J. Cowie, J. M. Bateman, J. D. Sayle, W. D. Pearson, T. W. Gubb, E. C. Pomeroy (the only American of the whole number, and formerly an editorial staff member of the **China Weekly Review**) and D. P. L. Stirling the last named first served several weeks in the ranks in Malaya.

In addition to these who volunteered for the Army, there are several who have received commissions in the Singapore R.N.V.R.

Tientsin Chamber of Commerce Replies to Matsuoka Statement at Japan-U.S. Society

The statement in which Mr. Matsuoka the Japanese Foreign Minister, told a farewell party given by the Japanese-American Society to Admiral Nomura recently that Japan "shut her doors nowhere and to none" late last month drew a sharp reply from the Tientsin Chamber of Commerce.

The reply, which was made available in Shanghai last week, reminded the Foreign Minister of Japan what had taken place in Manchuria in the nine years since those Chinese provinces were occupied by the Japanese. "We agree with him that the door has been left open." declared the reply, "but for exit only.

"What has happened to our American businesses there? Why were our American businessmen compelled to close up their offices and their homes and get out of the country? Legitimate firms which had traded peacefully in the Manchurian provinces for several decades and have maintained friendly relations with the people of Manchuria to their mutual benefit, were forced to get out. Why have all of these American firms left Manchuria?

"The truth is easy to find for those who wish to see it. Free trade and free competition are no longer possible by Japanese imposed regulations. The situation in North China is quite similar. Japanese plans are gradually developing to oust Americans and their businesses from this area. Since the beginning of the so-called incident' Japanese have imposed monopolies, embargoes and restrictions on trade throughout areas of China which their Army occupies. Monopolies on raw products in the interior of China have been set up and purchase of these materials can only be made through these monopolies and on their conditions only.

As a result American buyers, long established in this market, have been forced to curtail their activities They could not compete with these Japanese organizations because of the numerous privileges which the official-fostered Japanese organizations enjoyed with respect to exchange, freight rates, access to areas where the materials are produced. Most goods from North China, such as sheep wool, cotton, goat skins, sheep skins, kid skins and lamb skins have been placed on the embargo list. Previously they were sold in the United States in large quantities.

Car Trade "Doomed"

"Import restrictions also have been enforced. The motor-car trade, one of America's most important industries, is faced with doom. Motor-cars have been placed on the prohibited list and Japanese will not permit their import into North China. American canned goods, cosmetics, photographic supplies, piece goods, clothing, hosiery are only a few of the items which no longer may be sold in Japanese military controlled areas of North China.

"Previously, several American companies manufactured Chinese carpets in N. China, using native wool, mainly from Mongolia. These factories have all been forced to close because the Japanese will not permit them to obtain raw materials. Recently three lots of American-owned wool were seized by the Japanese military and held despite protest made by the American Consular authorities. American citizens have been subjected to numerous restrictions by the Japanese military authorities and Americans cannot travel in the interior of China unless they possess passes issued by the Japanese military authorites.

"The Japanese have built up trade barriers, monopolies, embargoes and restrictions which are obviously aimed to force Americans and Amrerican business from N. China. These restrictions have been mentioned in numerous protests lodged with the Japanese authorities by the American Ambassador, Mr. Joseph Grew in Tokyo.

"Recently Mr. Matsuoka made a remarkable declaration that the fate of China was only a question of sentiment for Americans. "Before the Japanese invasion American trade with China was greater than that of any country."

The Tientsin American Chamber of Commerce's reply to the Japanese Foreign Minister, according to *Domei*, evoked strong editorial comment in the Japanese-owned *Times and Advertiser*, Tokyo's only English language newspaper.

"America cannot make any complaint about limitation of its imports into North China, at the same time it dismisses complaints about self-imposed embargoes on other sorts of goods like scrap iron to the same general regions," the *Advertiser* declared.

The daily pointed out that "much more stringent conditions have completely stopped American trade" in Europe.

"In some instances, the United States voluntarily has withdrawn nationals and their interests," the newspaper said.

"Extraordinary problems of various states required extraordinary measures, and need we direct attention to various prohibitions, suspensions, embargoes moral and immoral, imposed by the U.S. on import and export trade and financial operations?" the paper asked.

Many of these barriers have been erected when they need not have been installed at all, and are entirely unnecessary for the Ameri an national well being, the *Advertiser* declared.

Crashes

Bernard Wong, 35-year-old pilot of CNAC plane, which crashed in the mountains near Kian, Kiangsi on January 20. Mr. Wong and four of the five other occupants of the plane were killed.

On His Way—But Which Way?

Sunday Times (Australia)

Chungking Appoints Many New Officials

Among the new appointments and transfers of officials at Chungking announced last week were: Li Po, appointed President of the Supreme Court; Li Wei-yen appointed member of the Overseas Affairs Commission; Chow Kun-tien appointed Secretary of the Mongolian and Tibetan Affairs Commission; Li Chun-kung, Wang Shu-lin and Fu Ju-lung appointed members of the Military Advisory Council; Chow Pang-tao appointed Counsellor of Examination Yuan; Lin Sui-chang appointed Director of Civil Affairs Department, Ministry of Interior; Hsieh Fen-cheng, Counsellor of Ministry of Communications and Tsen Teh-chang, Counsellor of Executive Yuan, relieved of duties and transferred to other positions; Order of the Celestial Banner, 4th Class conferred on Ting Shu-chung; Li Chao-huai and Li Kuo-chun, director and deputy-director, respectively of the Political Affairs Department of the 4th war zone in Kwangsi and Kwangtung, sworn into office on Feb. 4 at Shiuchow; Peng Kuan-kao appointed special administrative commissioner for 1st area in Hupeh, and concurrently peace preservation commander in same area; Li Pai-min and Hsiang Fu-i, Chairman and Vice-Chairman respectively of Szechuen provincial assembly transferred to other positions and succeeded by Hsiang Fu-i and Tang Chao-tseng; Hsu Fu appointed member of Chekiang Provincial Assembly; Shen Chih-ching relieved of duties as Chief Accountant of Chungking Municipal Government; Ling Hsu-yu appointed Secretary of Control Yuan Commissioner's office for Kwangtung-Kwangsi area; Wang Yin-chu appointed sectional chief of accounting bureau of Szechuen; Kung Han-yuan appointed chief of accounting bureau of Szechuen; Kung Han-yuan appointed chief technical expert of Hsikang Municipal Reconstruction Committee, having charge of construction of Sian, capital of Shensi into a Western Auxiliary Capital; Yang I-tsu relieved of duties as members of Anhwei provincial government; Kwei Chin-chiu, member of Anhwei provincial committee appointed concurrently Anhwei provincial commissioner of finance; Yen Wen appointed chief secretary of Suiyuan provincial government.

Burma's Goodwill Mission Welcomed; Party Reveals Enthusiasm over Reopening of Road

SPECIAL CORRESPONDENCE

Burma Road Jest

Here is a jest which, according to the **New York Post**, was going the rounds of Broadway recently.

One fellow calls up another and asks:

"Say, how would you like a couple of tickets to the opening of the Burma Road?"

"Swell!" replies the second fellow. "Where do I get them?"

"Just call this number: Circle 5-8280."

The number was that of the Japanese Consulate-General.

Bleak weather failed to dampen enthusiasm when China welcomed eight Burma journalists at Chungking on December 28, 1940. Led by U Ba Glay, Rangoon's ex-mayor, the party which flew from capital to capital via Kunming to see Free China at work and at war, included U Tun Than of **Progress**, U Ba Than of the **Sun Press**, U Ba Glay of **Deedok**, Mr. E. Lecky Thompson of the **Rangoon Gazette**, S. Bhattar Charjee of the **Rangoon Mail**, Chatter Jee of the **United Press**, and William Tseng, secretary of the Rangoon chapter of the Sino-Burmese Cultural Association. Except Mr. Tseng, all members of the party were over 40 years of age.

Since their arrival in Chungking, the Burma pressmen have been kept on the move during their two-week sojourn here—with dinners, interviews, sightseeing, their engagements average four a day. In the first two days, they saw Generalissimo Chiang Kai-shek, Sir Archibald Clark-Kerr, Dr. H. H. Kung, Dr. Wang Chung-hui and Dr. Wang Shih-chieh. They literally went places and saw things. As the Minister for Publicity put it in his welcome speech "In time of war, weaknesses, as well as the strength, of a nation are made conspicuous. We make no attempt to hide anything of actual conditions from the eyes of our Burmese friends, whom we trust and respect as such. We have no tourists' blinkers for them."

The Mission was welcomed at the Coral Island airport by Han Li-wu, secretary general of the Sino-Burmese Cultural Association. U Ba Glay explained that the main purpose of his party's visit was to gather first-hand information about Free China that they might tell Burma what was going on within the mountain fastnesses of Szechuen province. He hoped their visit would contribute toward still better relations between China and Burma.

The visitors revealed that the Burmese people were enthusiastic when the British Government reopened the Burma Road for three months. U Tun Than, the deputy leader, added that there are at least 10 000 Chinese residents in Rangoon, and "a Chinatown looks like any modern Chinese city in China."

To Generalissimo Chiang Kai-shek they presented a silvere statuetete of the late General Maha Bandula, "Burma's Generalissimo." Last year Generalissimo Chiang was presented with a silver-crowned walking stick by the first Burma Goodwill Mission. Madame Chiang Kai-shek was given a gilded lacquer box lined with precious stones; in 1939 she got among other things a silver statuette of a Burmese women, a pair of soft Burmese sandals, a parasol, and "The Constitution of the Burma Government," autographed by author Daw Mya Sein.

"Your Gallant Courage"

Generalissimo Chiang Kai-shek received the visitors at his private residence, extended warm greetings and welcome, and heard U Ba Glay read the mission's message, printed in English and Chinese on Burmese silk:

"Your Excellency,

"We, the Members of the Burma Journalists Mission, beg to offer our respectful greetings to Your Excellency and also to your worthy consort, Madame Chiang Kai-shek.

"Your name, Sir, is a household word in Burma and it is held in high esteem by the Burmese people. Your gallant and courageous leadership and your incomparable patriotism and tenacity of purpose have been objects of the deepest appreciation not only in Burma, but also throughout the civilized world.

"Sir, for years now we have been watching your romantic and eventful career with the greatest interest. As the chief disciple and ablest lieutenant of the late Dr. Sun Yat-sen, the Father of Modern China, you have been steadfastly following in his glorious and hallowed footsteps and have been loyally carrying his message of Three Peoples' Principles througout the length and breath of China.

"Your gallant and victorious march at the head of a National Army from Canton in 1927 was an epoch-making event in your remarkable career which we may be permitted to recall today because of its singular importance in Modern China's international relations and her steady forward move towards freedom and liberation from the tentacles of the various foreign imperialists that have hampered her unity and progress and exploited her for the last 100 years and over under this pretext or that, under one guise or another.

"In your august person, Sir, you represent the truest and best of the great Chinese people and Chinese culture and civilization. And we believe that you also typify in your person the exalted, immortal and traditional Chinese Spirit which neither the passage of Time nor the varying fortunes of history have been able to dim, weaken or annihilate.

"In conclusion, Sir, we the Members of the Burma Journalists Mission may be permitted to say this much that your great leadership is as worthy of you. And we have the greatest confidence that under your patient and distinguished guidance and far-sighted and practical statesmanship, China will ere long emerge truly liberated from all kinds and brands of foreign aggressions, old and new, economic and political, military, cultural and otherwise, and that you will soon secure for your country peace and integrity, progress and security — all with honor and justice. May Your Excellency live long, strong in body and spirit, to guide the destinies of China to National fulfillment, and thus enable her to play her vital and legitimate part to help bringing about a New World Order of peace and justice."

U Ba Glay, the leader, remained in Chungking only three days, and then flew back to Rangoon where he is campaigning for mayor. The other members of the party, after remaining in Chungking a fortnight, split into two groups, one to visit Chengtu and the other Sian in Shansi Province. Before leaving Chungking, U Ba Glay said: "To you, the brave citizens of Chungking in particular and the great people of China in general, we the members of the Burma Journalists Mission convey our warmest greetings, not only on behalf of ourselves but also on behalf of the people of Burma." The party made a four-day stop-over at Kunming where they were received by Governor Lung Yun.

Burma Goodwill To China

Photograph above shows party of eight Burmese journalists arriving at Chungking on a goodwill tour of Free China. The party, which arrived at the capital on December 28, expressed satisfaction at the reopening of the Burma Road. Photo by Thomas Kwang.

Britain Pleased

On the schedule of the Burma mission in Chungking were calls on Chairman Lin Sen of the National Government; General Ho Ying-chin, minister of war; Chen Li-fu, minister of education; visits to the New Life Movement Headquarters, industrial plants and universities and the North Hot Springs; dinners with Chang Kia-ngau, minister of communications, the China Branch of International Peace Campaign, and Chungking foreign correspondents. In the new Szechuan governor, and in Sian Chengtu they saw General Chang Chun, they visited various government and public organizations.

In view of the closer cooperation between the Chinese and British Governments, it can be easily surmised that the Brtish authorities in Burma are pleased with the journalists' mission to China this year.

King Hua-ting Joins Victims of Nanking Blacklist; "Shun Pao" Editor Brutally Murdered Outside Cabaret

Mr. King Hua-ting, Chinese editor of the American-owned *Shun Pao*, Chinese language daily, and among those named in the Wang Ching-wei "blacklist" of journalists, was murdered by a gunman posing as his body guard in front of a ballroom on Avenue Edward VII last Monday. King's assassination was the signal for a round of terroristic activity loosed on the city. On the same day two attempts were made to bomb the First Special District Court, in the International Settlement, an effort was made on the part of two Japanese to burn the ratepayers' meeting stand at the Race Course, and two Chinese accountants of the American Trading Company, American firm involved in the famous Widler copper theft, were kidnaped.

Shot three times, in the forehead, in the abdomen and in his right side, Mr. King collapsed on the pavement and died, shortly after having walked out of the ballroom with a group of friends about 4:30 a.m. Monday. He is survived by a wife and seven children, residing in the French Concession.

Mr. King's ten years with the *Shun Pao* were noted for his energy and intrepidity in maintaining the principles of free expression despite pressure to the contrary. When the Wang Ching-wei "blacklist" was issued last summer, the Chinese editor was among 87, including foreigners, who were "ordered" to leave. Mr. N. F. Allman, American publisher of the paper, likewise received a "deportation" order. Several bombing attempts followed, the most serious being one in July of last year when two printing employees were killed and a number injured.

The bombing attempts on the First District Court occurred at approximately the same time, 4:30 a.m. Six hand-grenades were thrown from a cruising taxi into the premises of the civil court on Weihaiwei Road and at the criminal court on North Chekiang Road. Four of the bombs exploded, three damaging the office of the secretary of the court on Weihaiwei Road as well as partially damaging a car belonging to a member of the S.V.C. Of the three thrown at the criminal court on Chekiang Road, two failed to explode, and the third caused only slight damage to the building.

The courts continued to function, and later investigation revealed that the taxi had been commandeered by three Chinese in Hongkew. The trio forced the driver to cruise by the court premises, then dash to Jessfield Road, where they left the car. The terrorism against the Special District Court is believed to issue from Wang Ching-wei henchmen.

Gambling Den Affray

At least three persons were near death last Wednesday and many more were wounded the previous night when puppet policemen and operators of a gambling den off Yu Yuen Road fought a pitched battle in the establishment. According to their testimony the police, carrying rifles visited the den located just half a block beyond the jurisdiction of the Settlement police in the "badlands" and talked briefly with the owner. A dispute followed, and gunmen employed by the house engaged the police in a gun battle.

The thirty odd gamblers playing at the time stampeded for the door breaking it down as they went, but bullets which filled the air left three of them critically wounded on the floor and wounded a number of others less seriously. The police suffered no casulties.

After the shootup, the police wrecked the place. Every window was shattered and the gaming tables were smashed into kindling.

Although the fracas may have had the outward appearance of an initial blow against vice in the outside roads district, a Russian den on the floor above remained untouched. Other gambling houses within a block of the raided premises remained open.

Accountants Kidnaped

The kidnapping of the two American Trading Company accountants, Mr. Morgan Lee and Mr. Chang Wei-ting, was effected at 9:15 a.m. on Monday when five men, one of whom is believed to be a Japanese, seized the pair as they were about to enter Mr. Lee's private car on Taku Road. The kidnapping was believed connected with the forthcoming case between the American Trading Company and the Commercial Express Company, which involves the theft of $3,000,000 of copper from the Commercial Express Company's godown last September by the Swiss outlaw, Elly Widler. The copper was alleged by Japanese authorities to have been "confiscated" as enemy property. Widler said it belonged to the Chinese Government.

The American Trading Company is bringing suit for recovery of the copper from the Commercial Express Company, likewise an American firm, on grounds that the latter allowed Widler, a Swiss subject, to use a portion of the godown. According to the *Evening Post* account February 3, the charge claims that Widler was "a notoriously untrustworthy character ....that for several years had cooperated with the Japanese military gendarmerie."

Known as the "biggest swindle in the history of Shanghai", the case is due to be tried in the U.S. Court for China on February 11. It will be recalled that several years ago the American Trading Company sold minting machinery to the Chinese National Government and received in return a quantity of copper coins and ingots. The copper was placed in the godown of the Commercial Express Company. A few months ago it was discovered that the copper was missing, and instead of the $3,000,000 worth of metal, there was sand and cement in the boxes. Elly Widler, who had used an adjoining portion of the godown, was arrested at the Broadway Mansions by the S.M.P., only to be released a few moments afterward by the help of Japanese gendarmes. He is still at large.

Murder, Kidnapings

Monday's bombings and kidnappings brought into the realm of the "big shots" a wave of terrorism that had already reached a daring and ferocity among the "lesser" realms never before seen in Shanghai. On Thursday, January 30, unidentified gunmen killed Ki Ming-dah, manager of the Wei Nyeu Native Bank, believed to be connected with the Nanking Central Reserve Bank.

The same day, the First Special District Court heard charges against an organized abduction ring responsible for four successive major kidnappings of wealthy Chinese. Eight were accused, and ransom was said to have totalled over one million dollars for such abductions as those of Mr. Sung Tsong-fang, famous Chinese doctor, Mr. Sung King-chow, manager of the Nee Tai Shing Coal Company, and Mr. Chen, owner of the Wei Tsung Hotel.

Cabarets Bombed

A total of eight different bombings of Shanghai cabarets over the Chinese New Year festival period caused havoc among the night spot pleasure seekers, resulted in the death of Mr. Yao Chia-chuen, son of an International Settlement police superintendent.

The bombings occured in quick succession, five of them within an hour, during the night of January 25. Though most of them were of the nuisance type, phosporus or gasoline, the explosion in Ciro's Cabaret on Bubbling Well Road seriously injured Mr. Yao Chia-chuen and his wife. Mr. Yao died the next day from wounds caused by flying glass, according to the *China Press*, and Mrs. Yao was recovering from minor lacerations.

Cabaret owners closed their doors at early hours, as a result of the attacks, but told the police that no extortion threats had been received, as in previous years. One observer mentioned the presence of two unidentifed Japanese close to Mr. and Mrs. Yao previous to the explosion, while other sources surmised that the terrorism might have been a warning to night club owners to accept the new Wang banknotes. Included in the bombings were Ciro's, the Mee Kau Mei Ballroom on Yu Ya Ching Road, the Paradise, on the same road. The Green Spot on Avenue Edward VII, The Paramount on Avenue Haig, the Lambeth Bar annex to the night club, and a cabaret on Avenue Edward VII near Mohawk Road.

Bus Held Up

Gang hold-ups, vice-raids, and petty thievery continued to keep police busy in all parts of the city over the holidays. Most spertacular of the gang robberies was the mass hold-up on January 27 of an omnibus on Connaught Road, when ten armed men forced passengers to give up their overcoats and festival gowns and excaped before police were aware of what was happening. According to police reports, many other robberies were staged the same day by gangs of six thugs. In several cases arrests of one or two of the gang were effected, but the majority got away.

Japan's Internal Situation Greatly Deteriorated Since Start of Hostilities; "Fifth Column" in Occupied Areas

No new feature in history is Japan's territorial expansion ambition, states the author of this article condensed from the North China Daily News of January 19, 1941. In 1553 the inhabitants of Shanghai built a wall around their city to protect them from roving bands of Japanese pirates. In 1668 the Japanese colony in Siam was 8,000 strong. Hideyoshi boasted that when "Kyushu is ours, grant me the revenue of that island for a year and I will take Korea. With Korean troops, I intend to bring the whole of China under my sway."

The unexampled prosperity and increase of markets due to her favored position in the First World War, combined with a rapidly increasing population, again brought to the front the question of territorial expansion. The author, described as a "competent military observer," declares it has become increasingly evident that the Japanese are far from pleased at the outcome of the China incident in which they so light-heartedly engaged in July, 1937.

Since the occupation of Manchuria it has been evident that Japan is determined to extend the isolation policy to her overseas possessions. No foreign interests are to be permitted to remain and if she herself is unable to supply, her tributaries must go without. Trade will always find the most profitable outlet, or be killed, with adverse effects on the body politic. Apply a tourniquet to the arm of a man and interrupt the flow of blood and the hand withers and dies. The body loses one of its limbs. This is what the Japanese are doing in north China.

American firms purchased carpets, casings and furs, thereby introducing currency which the Chinese could exchange for Japanese goods. The Japanese want the iron ore of the Lungyen mines and cotton, but the Chinese must have something in return on which to live. The price offered for the commodities is not sufficient to buy foreign flour, so the farmer ceases growing cotton and plants wheat. Japan gets no cotton and loses her market for rayon.

The urge to get 100 per cent. of every bargain, or lack of reciprocity, defeats itself and will in the end defeat Japan. There are 400,000,000 Chinese farmers against her and all the narcotics in the world will not make an end of them. Spain tried the same one-sided policy with the Americas and rapidly decayed. Holland was forced to drop her monopolies and lost the greater part of her colonial empire.

Production Declines

In spite of censorship the whole world knows that the situation in Japan has deteriorated enormously in the last three years. Every sort of restriction, even on thoughts, has been imposed (**Review**, Jan. 18, 1941)). Production, except on armaments, has fallen to a marked extent, and foreign trade, the life blood of the country, is declining. The gold reserve is nearly exhausted and America, which hitherto has furnished many of the sinews of war, is imposing embargos in retaliation for the interference with her interests.

Meanwhile Japan, regardless of the menace behind her, is bent on extending her commitments even further from her bases. Her Army has never encountered the troops of a first-rate power, and the disproportion between her material and that of the Soviet is overwhelming. Her treatment of the occupied Chinese territory has built up behind her lines the finest Fifth Column in the world. Her two clashes with the Russians at Changkoufeng and Nomanhan were anysistance from abroad for raw material, thing but reassuring and in each case the Soviets did no more than maintain the integrity of their territory.

Until Russia's military strength was fully developed she remained on the defensive in the Far East, but judging from her policy in the West with Poland, Finland, Rumania and the Baltic States, she never abandons the idea of reoccupying lost territories. The exhaustion of her adversaries is to be her opportunity.

Equal and Opposite Reaction

Before the 1937 incident there was no Red menace in north China except in the minds of Japanese militarists. To every action there is an equal and opposite reaction, and a very real one now exists. In the absence of Central Government officials the whole occupied countryside has been organized into Red communities, all bitterly anti-Japanese. They are determined to prevent the economic exploitation of their country.

Efforts to raise and train Chinese troops for the maintenance of internal order have been distinctly disappointing. The armed gendarmerie of East Hopei promptly mutinied on the outbreak of hostilities and massacred the inhabitants of Tungchow before disbanding itself. Where the same system has been tried from Peiping to Canton the troops have proved untrustworthy.

Any further advance towards the south is likely if not certain to provoke the antagonism of America and Great Britain. The first immediate response will be an embargo on all trade. If one considers to what an extent Japan has depended for her war in China on assistance from abroad for raw material, mechanical transport and extra bombs and planes, it becomes apparent that she is taking grave risks in laying herself open to an attack in the rear when the flower of her forces is engaged at a distance from its bases. Hitherto her landings have been unopposed and she has never had to reckon with sea power. Her equipment is out of date, and only sufficient in quantity for a colonial war. No model is sold to Japan which has not been superseded and the copies she contrives are below the standard of the original.

Powerful Soviet Army

The Soviet Army after its setbacks in Finland has taken itself seriously. The disastrous system of having political officers in executive charge of units has been abolished, and the whole country is being regimented to make the army more efficient. The period of training for the air force has been increased to four years. Russia is merely waiting the time until those who stand between her and her objectives are exhausted. She faces on the Baltic, Mediterranean and Pacific and still has no warm water outlet.

Granted security in the West, her easiest line of approach is to select Japan as the first victim. She has had sufficient "sincerity" to decline to enter

(Continued on Page 357)

Chinese Cartoonists Flay Japanese And Puppets

The cartoon on the left, from a Chungking paper, indicates what the Japanese do to their Chinese puppets. It was labeled "Friendship and Cooperation," and shows one puppet serving as a rest for a Japanese rifle, another being run through by a Japanese soldier and a third puppet being robbed by a Japanese. The cartoon in the center, also from a Chungking paper, shows the Japanese war party headed for disaster, followed by a large boulder labeled. "Unrest and Shortage of Food." The cartoon on the right, also from a Chinese paper in Chungking, depicts the puppet Wang Ching-wei, head of the Nanking Government, on a leash held by a well-fed Japanese warlord. The muzzle on Wang Ching-wei is made in the form of a microphone.

Japan's Central China Development Company Claims Success, but Operations Remain Cloaked in Mystery

SPECIAL CORRESPONDENCE

Described by Japanese as a Sino-Japanese welfare project aimed at rehabilitating war-scorched areas, by Chinese as a device to subordinate Chinese wealth and workers to Japanese army plans, and by third power business interests as a confiscatory and monopolistic enterprise, the Central China Development Company since its inception in the latter part of 1938 has extended its activities until its damaging economic impact has been felt throughout the whole occupied area.

Its operations remain a mystery, its reports witheld from the public which originally was invited to invest in the company and its subsidiaries. Military necessity is given as the reason for the secrecy, and certainly to all intents and purposes the Central China Development Company is an army enterprise geared to the broad designs of Japan's military leaders.

Impossible to obtain through direct means, statistics have appeared in the Japanese press from time to time, and they show that the Central China Development Company and its subsidiaries are busier now than a year ago—but the statistics do not show why this is the case, that Japanese military trade restrictions have paralyzed what little remains of purely and persistent Chinese enterprise in occupied China.

Neither is it shown in the statistical boasts that Japanese enterprise in the occupied areas is free from restriction, whereas third power interests have been eliminated totally in the spheres in which the commercial "new order" is operating. Nor is it revealed by the figures that the operations of this "Sino-Japanese" company is wringing wealth from impoverishment, further reducing the standards of life among the Chinese, and ironically, is jeopardizing for future exploitation all Central China's agricultural, mineral and human resources.

Founded on Loot

First hand observation in occupied China, where alone the Central China Development Company may operate, offers palpable demonstration of these facts hidden behind figures which often make fantastic claims, and finally there is the undeniable fact that the foundations of this quasi-military enterprise were built on loot—looted Chinese and sometimes third power property for which the owners have received no recompense. If the Central China Development Company and its subsidiaries, therefore, sometimes are able to declare a dividend in fact, or show a good balance sheet, then no appropriation will be found in those accounts for writing off the value of seized property.

It was proclaimed by the Japanese that the signing of the Wang-Abe "treaty" in Nanking on November 30, 1940, gave Japan access to new sources of raw materials and assured her of Chinese cooperation in the occupied areas, but it is difficult to see what Japan may gain that she never had previously. Raw materials are essential to Japan's "Ten Year East Asia Economic Plan," a perusal of which clearly reveals Japanese intentions of making the Island Empire a highly industrialized unit supreme over the agricultural puppet areas of Manchukuo and occupied China, from which Japan also will draw minerals.

Japanese industrial experts in pursuit of this plan recently proposed the export of obsolete mining machinery to North China to develop rich, thick coal veins and create a center of light industry. North China under the same "Ten Year" plan will be required to produce cattle and wheat, Central China to develop pig-iron and non-ferrous metal industries in the Yangtze valley. Converted into a barn of raw materials and foodstuffs, China will produce exclusively for the Japanese market—at Japan's prices. Light industrial products of Chinese labor and Chinese materials will be sold to China, the South Seas and probably the South Americas, but the profits will go to Japan. That is the evident purpose of the Central China Development Company, the North China Development Company and the South Manchurian Railway Company. Each of these in its sphere, with its subsidiaries, has a role to play in the "Ten Year Plan." The extent of their progress is revealed by the figures they have published, but it must be borne in mind continually that these figures are of Japanese origin.

First Year "Dividends"

Kenji Kodama reviewed the first year's operations of the Central China Development Company in his report at the annual meeting in March, 1940. He said: "Of the company's capital of Yen 100 million, paid-up capital increased to Yen 37,202,608 through part-payment of Government-owned shares. Aggregate capital of the 12 companies (including subsidiares) was Yen 173 million at the end of 1939. On this amount, Yen 110,738,000, of approximately 64 per cent was invested by Japanese, our company having put up Yen 69,308,000, or 40 per cent, which is equivalent to 62.5 per cent of total Japanese investment. The toal investments by our company at the year end reached over Yen 34,003,600, the aggregate payment on capital shares in the companies concerned and in investment in housing associations. Seven of the concerns paid dividends ranging from four to 10 per cent.

"For this year (1939), loans advanced by the Company amounted to about Yen 10,449,000 as against redemptions amounting to about Yen 1,804,000. The outstanding balance of credit at the year-end was Yen 8,681,500. Funds required for accelerating business were a little more than Yen 17,500.000. including capital investments, loans and business expenses. However, since we could finance a larger part of this outlay with funds at hand, while we decided to make up part of the deficiency with borrowed money. we did not during the year actually have to issue the Central China Development bonds for which we obtained your approval at the first general meeting. Nevertheless, we have already received advances against the Company's prospective issue of debentures which it is our plan to place during next year, and for their underwriting a syndicate already has been formed.

"The business income of the Company for the year reached about Yen 1,500,000 consisting of dividends on invested capital, interests on loans. profits from the Company's own undertakings and the Government subsidy. After deducting various business expenses we have the net profit of Yen 618.880.24...."

New Order—New Face

Picture above shows the new face given the Shanghai Telegraph Building on the corner of Szechuen and Canton Roads. Siezed by the Japanese military soon after the Chinese withdrawal from Shanghai, this building in the very heart of the Settlement business area later was handed over to the Central China Tele-Communications Company. The once-famous red-brick facing now has disappeared and has been replaced by a typical example of the worst in pseudo-modern Japanese architecture, which perhaps is in keeping with its part in Japan's "new order".

Another Story

The **Japan Times and Mail** had another story to tell. Business conditions of the two Japanese companies, the North China and Central China Development Companies, in 1939 were such that they were finding it difficult to pay any dividends as promised, the journal declared. No dividends were paid in 1938 because the actual number of days which these new companies devoted to work was about 50 days, while at the second settlement of accounts closing December, 1939 they were confronted with the problem of dividends, 5.5 per cent in the case of North China Development and 6.0 per cent in that of Central China Development, which they had promised in their estimates to give to bereaved families of solidiers killed in the China war.

Reports were circulated later to the effect that a powerful syndicate in Japan would be formed to advance a loan of Yen 25,000,000 to the company, half of which would be used to repay a short-term loan made by the Japanese Government and the balance for the Company's operations. It was reported further that this Company would make a 4.2 per cent debenture issue in May, 1940 at 99½, the proceeds of which would be used to pay off the loan from the syndicate. This method of borrowing money to pay old loans through the "powerful financial syndicate" in Japan is presumed to be what Mr. Kodama said about the advances which the Company received against the prospective issue of debentures.

What was the financial situation of the Company in 1940 is difficult to say as no Japanese reports have yet been available. According to reports in the Japanese press on the business condition

of the various subsidiary companies of the Company in different months of 1940, however, it appeared that business was improving in most of the subsidiary companies. One report appearing in the **Tairiku Shimpo** stated that eight out of the total of 13 subsidiary companies had decided to pay dividends at the end of 1940.

Dividends to be paid by the eight companies and the names of the remaining five subsidiary companies which unable to pay any were estimated by the Japanese paper as follows:

Name of Company	Amount of Dividend
Central China Salt Co.	10 per cent
Central China Mining Co. ..	6
Central China Railway Co. ..	—
Central China Water and Electricity Co.	3
Central China Silk Co.	10
S'hai Inland Navigation Co.	6
Central China Tele-Communication Co.	3.5
Central China Marine Products Co.	8
Central China Steamship Co.	—
Shanghai Real Estate Co. ..	—
Hwainan Coal Mining Co. ..	6
Greater Shanghai Gas Co. ..	—

The Shanghai Inland Navigation Company, with a capital of Yen 2,000,000 transported an average of 37,000 tons of freight and 77,000 passengers every month in 1939. This represented a 300 per cent increase in goods and more than 800 per cent increase in passengers when compared with 1938, if the reports were correct. During 1940, both the volume of freight and number of passengers carried by ships of the company increased considerably. The average amount of freight carried each month was 105,700 tons while the number of passengers carried was 219,756. Total income of the company in the year was Yen 7,069,000 or an increase of Yen 3,980,000 when compared with the privious year. Figures for each month of 1940 were as follows:

1939	Freight tons	Passengers	Revenue
Nov.	68,880	140,919	Yen 374,000
Dec.	79,080	184,020	505,000
1940			
Jan.	91,405	156,876	382,000
Feb.	62,683	121,004	312,000
March	93,840	212,217	490,000
April	127,728	230,796	640,000
May	143,064	269,307	648,000
June	124,149	253,346	651,000
July	114,704	228,871	694,000
Aug.	111,129	261,068	759,000
Sept.	114,776	301,460	716,000
Oct.	137,089	277,194	925,000
	1,268,527	2,637,078	Yen7,096,000

If these Japanese figures are true, the business of this company is growing month by month and it is monopolizing the shipping industry along the Soochow Creek, the Whangpoo River and the lower reaches of the Yangtze River in Kiangsu Province. With the capital of the company increased to Yen 10,000,000, a number of new ships is being constructed and it will not be surprising if, the accidents of war excepted, the business of the company will be doubled in 1941.

Power and Water Firm

Figures are not available to show the detailed situation of the business condition of the Central China Electricity and Water Works Company, but it must be that business has improved here also. In April, 1940, the company operated 14 power plants and seven waterworks in various cities of Central China, but in October, it operated 16 power plants and nine waterworks.

These power plants in April last supplied electric light to 83,361 households and electric power to 3,370 industrial establishments, as against 80,524 and 3,339 respectively for the month of

(Continued on Page 356)

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Pacific Situation Again Grows Ominous Following Tokyo's Gains From Thai-Indo-China War

Prophecies of Axis efforts to spread the war to the Pacific gained credence this week as Japanese spokesmen hastened to recite the familiar wordy prelude of demands, justifications, and counter-threats prior to the appearance of "intervening" warships and planes,—this time with the recitation carrying an ominous repetition of verbal insistence on the Netherlands East Indies "Lifeline".

Indo-China, most recent float added to that "Lifeline", appeared to be well moored, by "mediation" terms which included such demands as permission to base warships in Cam Ranh Bay, Bangkok, and other strategic points, and air rights with bases in the same area, according to *United Press* information from Saigon February 1. Surface terms in the armistice arranged by Japan between Indo-China and Thailand, seemed to include truce and withdrawal clauses that were slow in taking effect. Fighting was reported again on Sunday, three days after the "armistice" was signed, according to High Command sources quoted by *United Press*. Six French soldiers were said captured in the Kompat sector; later French troops attacked the village and were repulsed, whereupon the Thai forces launched a counter-attack. The armistice terms called for withdrawal of all troops within ten miles of the area.

Japanese intentions, the report surmised, "would purposely back Indo-China in agreeing to concede very minor areas, and thus force Indo-China to grant the southern bases as a reward." No information was forthcoming as to whether or not this accounted for the continuation of hostilities along the border area.

Other "intentions" were said to be the despatch of 15 Japanese cruisers and battleships to patrol the Gulf of Tongkin and the Gulf of Siam to supplement the base at Haiphong, where five warships are already stationed. This was considered important in view of the official clause in the mediation terms calling for "withdrawal of all naval forces of both parties from the frontier and Saigon harbor," along with the stationing of a Japanese warship in Saigon to "facilitate communications".

N.E.I. Protest Rejected

As Japanese demands turned more directly toward the Netherlands East Indies, the Tokio rejection of Netherlands Minister General Jean C. Pabst's official protest against the "Indies being included in the New Order" was seen as an attempt on Japan's part to disunite the Southern islands from the home government, at present established in London. General Pabst's protest was rejected by Mr. Chuichi Ohashi, Japanese Vice-Minister of Foreign Affairs.

The rejection was only one of a series of pointed actions circulating around the economic proposals being made by Japanese delegates to Batavia. The demands insisted on economic interdependence of the N.E.I. and Japan, and include proposals to lay a cable between the two countries, establish a regular aviation service, and coordinate trade through admission of immigrants, special facilities for prospecting and mining, extension of fishing rights, and increased import quotas.

Justification for these demands was that the Netherlands East Indies was part of Japan's "lifeline," according to Mr. Naoko Hoshino, Minister without Portfolio and concurrently President of the Cabinet Planning Board. "Utilization of the South Seas resources," Mr. Hoshino was quoted by *United Press* on February 3, "is the only means towards strengthening Japan's national power as soon as possible. I intend to leave nothing undone toward this end by devising every conceivable measure."

Perhaps recalling similar recitations previous to the "offer" of mediation in Indo-China, the attitude of Netherlands officials was strong in

asserting independence of any common spheres. "The Dutch Government could never be expected either to let their actions be guided by such a conception of a 'New Order,' or to acquiesce in the consequences of its eventual application," the Dutch note as presented by General Pabst is quoted by *Reuter* as stating.

"Puppet To British"

In rejecting the former protest, Japanese officials were echoed by press comment to the effect that the "Dutch Government had lost its national domain and is incapable of recovering it, accepting the role of puppet to the British, as it can rely solely upon Great Britain where it has refuge."

The *Asahi*, reported *Domei*, declared that "while Japan should endeavor to promote progress of the Nippon-N.E.I. conversations in a just and proper light of the co-prosperity sphere, we should also be prepared to take appropriate measures in view of the gravity of the question to deal with the Netherlands East Indies should the latter continue to display bad faith and try to reject our concept."

No word of reaction on the part of the United States was issued to strengthen recent statements by Secretary of State Cordell Hull that any change of *status* in the Netherlands Indies would not be tolerated by the United States. It was foreseen, however, by Tokyo reports which quoted the *Kokumin* as saying, "Even if the United States carries out its action of putting obstacles in the route of Japan's southward advance based on Japan's absolute right of existence, Japan must go ahead and adhere to its stand."

Singapore "Encircled"

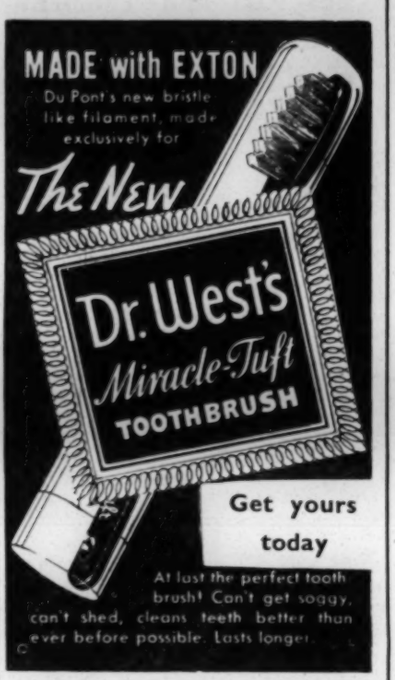
Meanwhile, Japan's growing encirclement of Singapore caused concern among the Federated Malay States. Sir Shenton Thomas, Governor of the Straits Settlements, was quoted by *United Press* on January 31 as saying that war was never closer to the shores of Malaya than now.

"I am not exaggerating," Sir Thomas stated," I tell you plainly this country may yet have to face a state of war."

The same report included a warning by a correspondent of the *Singapore Free* Press that the developments constitute an attempt to outflank the big guns of Singapore and a plot to get at Singapore from the back door. Acting on this theory, obvious preparations for emergency were being rushed, with construction of air raid shelters, refugee camps, and military activity.

Apparently unaffected by growing war threats around them, or even by armistices, Indo-China and Thailand concerned themselves over how best to adopt the provisions stipulated by delegates on board the Japanese warship in Saigon. The terms were as follows:

1. Withdrawal of all forces to ten kilometers behind their positions on January 28 at 10 a.m.
2. Withdrawal of all naval forces of both parties from the intersection and between the frontier and coast of Saigon harbor.
3. A prohibition for both air forces to cross the lines as provided for under (1).
5. The armistice is to be valid for 15 days beginning on January 28. A prolongation of this period by agreement between the three governments is provided for.
6. Facilities must be given to the Japanese delegation in order to enable it to accomplish its mission.
7. Cessation of all hostile propaganda. The return of the Thai consul to Saigon, the reestablishment of telegraphic and telephonic communications between the two countries as well as the resumption of shipping. In addition each party pledges itself to respect the persons and property of the opponent.
8. Establishment of a committee of three for settling possible incidents.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Chinese Confident Roosevelt Will Realize Ambitions During Third Term Presidency

Confidence that during the next four years of his office, President Roosevelt "will realize his aspirations and fulfill his immortal mission for the world and for humanity" was expressed by the *Shun Pao*, Shanghai American-owned Chinese language newspaper last week in commenting on the first third term presidency.

According to usual American procedure, notes the paper, there is a lapse of time of two and a half months between the general election and the assumption of office by the President elect. At ordinary times, such a lapse of time constitutes nothing but a short interval for the changing over from the old administration to the new administration and is devoid of any significance. At a time like the present however, when the aggressive and the anti-aggressive nations are involved in a life and death struggle, this interval of time constitutes an object which the parties to the conflict are bound to fight for and to try to turn to their own advantage. In fact, the winter offensive planned by the three allied powers last winter was planned particularly with a view to taking advantage of the pending change of the President of the United States. Due to the exercise of reason and good sense by the American people, the result of the general election did not give to the agressive nations any opportunity of which they could take advantage. On the contrary, as a result of the re-election of President Roosevelt, the American government was able to take further measures to fulfill its established policy. For instance, such measures as the loan of $100,000,000.00 to China, the increased aid to England and Greece, the strengthening of the Philippines and Pacific defense preparations, the construction of a two-ocean navy, President Roosevelt's fire-side chat denouncing aggressive acts, and the President's communications to Congress, were taken one after another during this period of time, thereby causing unprecedented embarrassment and disadvantage to the aggressor nations.

The direct and indirect effects of such a strengthening of America's external policy, the paper continues, may be seen in such facts as the refusal of France and Spain to join the Axis powers, the great victories achieved on the two sides of the Mediterranean by England and Greece, and the hesitation and indecision of Japan to go forward with its southward expansion program. All these are results achieved by the large majority of American voters in supporting the re-election of President Roosevelt.

Prestige Tested

The prestige of President Roosevelt has already passed a strict test during the general election last winter. In spite of the limitations of historic precedent, the criticism of political opponents, and the hinderance of Fifth Column activities, the people of the United States have maintained their support and devotion to President Roosevelt. As a matter of fact, not only in America but even in comparison with the leaders of the various countries of the world, President Roosevelt is indeed an exceptionally distinguished and great leader.

President Roosevelt already has achieved great success in mobilizing the support of his own people, the paper declares. However, certain isolationist elements, who are in the minority, are still interfering with the president's measures for carrying out his policy. As a result of the obstruction of such elements, the discussion of the Aid to Democracies Bill in the American Congress for the last few days has been prolonged by heated arguments. The stubbornness of such elements in adhering to their one-sided views shows that under a democratic form of government, everyone is given an opportunity to express his belief, which, of course, is a good thing. However, during a time of crisis, a too stubborn adherence to one's prejudice is bound to interfere with the smooth working of important measures.

President's Powers

Examination of the views expressed in connection with this Bill leads us to believe that, generally speaking, there is no question of the bill being eventually passed. The chief points now in dispute are limited only to the nature of the President's executive powers and the scope for their application. During the last few days, views on the Bill were expressed by Cordell Hull, Secretary of State, Henry Stimson, Secretary of War, and Frank Knox, Secretary of the Navy, and it looks as though all important members of the administration have been mobilized to advocate the passage of the Bill and even President Roosevelt himself found it necessary indirectly to speak in defence of the Bill. All this was an unnecessary waste of time forced upon the administration by certain minority elements. This caused a delay to the progress and enforcement of various measures of the government.

Since the Bill was submitted to Congress, about ten days have already been spent in argument. It is true for the passage of a Bill so momentous in nature, care should be exercised and a period of ten days cannot be considered as too long. However, we hope that at a time when the whole world is looking towards America and basing its hopes on that country, the American Congress will not delay action on necessary measures as a result of protracted argument. We further sincerely hope that the American people will be able to break down and to remove various stubborn prejudices, with the same spirit with which they have broken all historic precedent by electing President Roosevelt to a third term, the *Shun Pao* concludes.

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Congressman Introduces Bill for Total Embargo Against Japan; Loopholes Slowly Closing

Providing for a complete ban on exportation of all war materials and subsidiary equipment to Japan from the United States or from any transshipment point until Japan has withdrawn from China, a Bill was introduced to Congress January 31 for the second time since the last session. John M. Coffee, Democratic Representative of Washington, introduced the bill which was not reported out of committee the first time, since it was not considered an Administrative measure.

Previous American embargo action, slow as it has been, however, has begun to take effect on Japan. Virtual stoppage of all iron, steel, and special alloys of steel, together with petroleum products was revealed through **Havas** on January 29, when it was reported that "all Japanese applications had been rejected by the United States authorities." Similar curtailment of precision tools, indispensable to Japan's war machine, will become effective February 28, announced Washington last Friday through Edward Stettinius, Director of the Priority Board.

No part of America's Pacific relations policy has been more strenuously urged than the embargo on Japan, yet no measure has taken longer to put into practice. As long ago as 1934, when speculative newsmen looked to the Orient, saw ominous signs and uncovered the famous story of "Millions in Junk" being made by American dealers in Japan's new insatiable market for scrap iron, there was voiced the warning that the United States soon would have an account to settle—that what the parents sold as "junk" would be returned to their children as bombs and bullets. The warning was a voice in the wilderness.

From U.S., the Fuel

During six intervening years in which Japan thrust her war machine and war economy upon China and part way across the Pacific, America has been her chief source of metal and fuel. In 1939, when the United States was supposed to be effecting a curtailment of war material exports, Japan imported US$47,120,803 of petroleum, $32,592,500 of scrap iron and steel, $28,550,067 of copper, and $26,813,043 of precision machinery, besides vast amounts of ferro-alloys, machinery parts, and aircraft assemblies.

The voice in the wilderness in recent months became a shout of public opinion, which, according to the Gallup Poll of October 20, 1940, showed that 90 percent of the American people were in favor of a complete embargo against Japan. As a result, the Administration adopted a partial embargo whereby a licensing system restricted further orders of two main Nippon necessities, scrap metal and aviation gasoline, with the advent of Japan's military alliance with the other Axis powers, America's partial embargo progressively constricted, until Japan was forced to seek bids for war materials at the top prices of smaller markets, such as Mexico, or to take them anyway, as in Indo-China.

From Mexico and Indo-China, Japan has been able to obtain limited and costly quantities of practically everything she formerly shipped from America. In effecting this, she has until recently consistently over-bid American attempts to buy up the market. The **Christian Science Monitor** reported that during the summer months of 1940 Japan completely cornered the metal market in Mexico, and ships leaving for Japan were being filled hastily with oil, mercury, scrap nickel and copper, mica, manganese, and many other chemical products of small Mexican industries, who "preferred to sell to democratic interests, but could not afford to lose the 5 percent profit offered by Japan."

Mexican Hold-Out

In December, attempts were made by the United States to include Mexico in the Pan-American block against sending war materials to Japan and Germany, but after a three-day embargo contracts were renewed, and exports flowed on an even larger scale. It was later revealed that the pause had been a hold-out for "additional financing".

Last month, however, results of Secretary of State Cordell Hull's conversations with Mexican Ambassador Francisco Castillo Najera began to indicate that America was preparing to obtain the whole of the Mexican output at a block price satisfactory to Mexican industries. The **"New York Times"** of January 13 looked forward to such a possibility with optimism.

Undertaking to buy all of Mexico's war goods production, the United States also was enlisting British coordination

in the block purchase of war staples in other ports accessible to Japan. January 29 it was announced by **Domei** that Anglo-British interests had arranged to directly purchase the unsold 1940 Peruvian cotton crop, and was "likely to extend the same policy to Brazil and other South American countries." Several weeks earlier, the Japanese Consulate-General at Hongkong was officially notified that a wholesale prohibition had been placed on all scrap metals passing through that port. Formerly, 70 per cent of Hongkong's total monthly export of 500 tons had gone to Japan. India, Australia and Canada also withheld metals from Japan.

There Were Loopholes

The embargo system, however, only recently has begun to show a measure of effectiveness. A summary of American press opinion on the matter revealed widespread concern over the numerous loopholes utilized by Japan during the last few months.

Major George Fielding Eliot, military expert and writer, stated in the **New York Herald Tribune:**

"We have allowed a legalistic interpretation of scrap steel to be made which bars shipments of actual scrap but permits shipment of such things as steel rails....which are available in great quantity due to replacement of railway tracks. Rails are going out to Japan in shipload lots. We have ruled that old ships, going out to be scrapped for their metal content in Japanese shipyards, do not become scrap until they enter Japanese ports. We are allowing shipment of class A steel and other forms of steel and iron export other than scrap, without restriction."

The **San Francisco Chronicle** revealed on October 17 that, "The Bordeau Maru sailed with 3,000 tons of scrap iron and 300 tons of scrap copper. The Panamania steamship Miraflores sailed from Seattle on October 16 with a full cargo of scrap metal loaded in Boston."

Barn Door Bung Holes

So much for metal. The oil embargo had even more bung holes, which the "Washington Merry-Go-Round," syndicated column close to authorities in the capital, called "as big as a barn door." The column pointed out that during the month after the imposition of the oil embargo, which was for aviation gasoline, Japan imported from the United States 187,026 barrels of lower grade petrol, more that 20 per cent of all such exports in that period. Japan has needed only ordinary gasoline in her uncontested and leisurely flights over China. The **San Francisco Chronical** further pointed out that "certain kinds of oil from which aviation petrol can be made require licenses and for shipment of this type from this port alone the Japanese have permits for several hundred thousand tons of oil."

Anticipating the recent total restrictions on oil, scrap metal, and machine tools, Japan crammed U.S. ports with ships and orders. The great need for machine tools, of basic importance in production of munitions and which Japan cannot yet manufacture, was emphasized by the doubling and trebling of orders during the last months before the embargo announcement. From January to the end of August of 1940, Japan bought 19 million dollars worth of tools, with August orders doubling those of July. When the completed embargo asserts its effect, the blow to Japan should be far-reaching.

Henry F. Grady Heads American President Lines

Henry Francis Grady, native of San Francisco, was named President of the American President Lines on Dec. 30, at a special meeting of the Stockholders held in San Francisco. Mr. Grady succeeds Joseph R. Sheehan, who died on March 28 last. Mr. Grady is a graduate of St. Mary's College, Baltimore (1907) and later attended Catholic University, Washington, D. C. He then took graduate work at the University of California in 1915-1916, following which he went to Columbia University where he received the Ph.D. degree in 1927. After lecturing at the College of New York and Columbia, Mr. Grady joined the Bureau of Statistics of the Shipping Board, since which time he has held various positions, his latest being Assistant Secretary of State, since Aug. 8, 1939.

Mr. Grady is a member of the Pacific Trade Council, Academy of Political and Social Science, Foreign Policy Association, American Economic Association, Director of the Institute of World Affairs, officer of the Legion of Honor, etc. He is the author of "British War Finance 1914-1919," "Port of San Francisco," "Currencies After the War, 1919," and numerous articles in trade and economic journals.

The American President Lines closed their offices in Shanghai and flew their flag at half-mast in memory of the former Chairman of the Board of the American President Lines, Hon. William Gibbs McAdoo, who died in Washington. D. C., of a heart complaint; on Feb. 1. Mr. McAdoo was well known as Secretary of the Treasury in the Wilson Administration and later as United States Senator from California. He was 77 years old.

Ford Will Make War Goods Without Profit

Henry Ford, America's leading industrialist, announced on Feb. 1 that he "wouldn't quibble" about anything the Government wanted...."we and other manufacturers will produce everything we can without profit," he declared. The German **Transocean** news service had reported earlier that Mr. Ford had notified the Armament Commission that he would forego armament orders rather than submit to the labor provisions embodied in the contracts. The National Defense Commission allegedly had refused to award any orders to Mr. Ford unless he agreed to comply with all Federal and State Labor Laws. Under Secretary of War, Patterson, stated in the course of testimony before the House Military Affairs Committee that his department would continue to insist on observance of labor regulations by firms receiving war contracts.

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President Roosevelt's "Personal Representatives" Keep Watch for Administration in World's Trouble Centers

Diplomatically absent for some time in many of Europe's tense capitals, the United States nevertheless has remained well informed on world crises by the contrivance of President Roosevelt's "personal representatives," a masterpiece bearing the stamp of the White House Chief's powers of political invention. Through three personal representatives abroad last week, the Administration was able to obtain the benefits of mobile listening posts where they were needed most, and had with none of the responsibilities, and occasionally embarrassment, of official diplomatic contact.

United States Mobile Listening Post No. 1 last week was Colonel "Wild Bill" Donovan, of New York City's famous "Fighting 69th" (165th Infantry), who arrived in Ankara Sunday after a tour of inspection which has taken him from Great Britain through Egypt and the Balkans, probing, asking, watching, for the security and safety of his country. Quiet, scholarly, Donovan is possessed of boundless energy, is tireless when at work, and won his popularity and name for his total lack of fear. "They can't get me and they won't get you," Colonel Donovan shouted when he led his "Fighting 69th" into action in the Argonne, but last July pre-Blitzkrieg Nazi bombers probing out England's defenses came uncomfortably close to depriving the United States of one of its most valuable military minds when a bomb crashed barely 200 yards from the house in which he was staying in London.

Colonel Donovan returned to the United States at the end of July with information on Britain's defenses and other military preparations, put in nearly a month cooperating with Edgar Mowrer in compiling a revealing report on German Fifth Column tactics. Before the year's end "Wild Bill" was news again when it became known that that he was about to cross the Atlantic once more, this time refusing to announce his destination and the reason for his trip.

To The Near East

Speculation led off with the opinion that the stocky, square-jawed veteran would go to France to investigate possibilities of the United States feeding France's hungry women and children without gorging Nazi jackals, but from Madrid Donovan kept travelling East and by the time he was celebrating the New Year in Cairo it became known that he was "unofficial personal representative of the United States Secretary of the Navy, Colonel Frank Knox." Thenceforth, where trouble was brewing, Donovan was to be found.

Capital after capital was home for Donovan when Hitler, stymied temporarily at least by Britain and anxious for his Axis partner's sorry welfare at the hands of the Greeks in Albania, and the British Imperial forces in Libya, sought solace for his worried followers in a Baltic diversion. Whether the presence of Donovan actually prevented Bulgaria following Rumania into the Axis fold, early in January, as suspected by Berlin, or whether the Bulgarians simply took heart from the Greeks has not been told; whatever happened, Donovan was there to report to Washington. There are but few of Europe's extra-Axis leaders with whom he has not conferred, and the conclusions he drew from his observations are believed by well-informed sources to be embodied in the Aid to Democracies Bill. Now in Ankara, it is likely that he will sound Turkey for information on Soviet policy in the Balkans, still considered the most disturbing factor in the whole situation despite the recent reaffirmation of the Soviet-German Treaty of boundary Demarcation and Friendship. Much of Britain's, and therefore the United States' foreign policy today is based on calculations as to the extent to which Russia might go to protect Turkey—and the Dardanelles—from Nazi domination.

Ambassador's Welcome

In London last month arrived Mr. Harry Hopkins, former U. S. Secretary of Commerce. Hopkins went to the bomb-scarred valiant capital of the world's largest Empire as President's Personal Representative. Announcing plans for the despatch of Hopkins to London, President Roosevelt particularly stressed that he would go without Ambassador's status, but when he reached London, the former Commerce Secretary was accorded an Ambassador's welcome.

Devoted to President Roosevelt (as administrator of the Civil Works Program in 1933 he admitted "indiscretion" to save his chief the charge of political preference, stood firm against "business appeasement" on being nominated Secretary of Commerce) he undertook to face the pitfalls of his London assignment without comment, won the confidence of the British by his straightforwardness and simplicity. Like most racing men (the turf was his favorite form of relaxation) Hopkins was a good mixer and in a Britain over which the great leveller has been a regular visitant, found himself at home in office and on the street alike.

Iowa's son made no spectacular splash in Britain, but following the example of Donovan set about quietly and earnestly interpreting the effects of over six months of blitz-bombing. What he told Washington has not yet been revealed, but with the Aid to Democracies Bill tabled by the Adminis-

tration and before the House Foreign Affairs Committee it is certain that his notes were read with care.

To China Came Currie

Personal Representative 3 was Dr. Lauchlin Currie (**Review**, Feb. 1, 1941) one of the economic cells in the Administration brains. Dr. Currie left San Francisco January 28 by Clipper for China, where he is expected to remain for approximately a month in consultation with Chinese economic experts. Also entrusted to him was a message from President Roosevelt to General Chiang Kai-shek.

Chungking commentators believed Dr. Currie would stay long enough to "help China employ the credits granted her by Britain and the United States. Japan's propaganda service, **Domei**, thought Dr. Currie's departure indicated "momentous steps" by the United States in the Far East. The situation was given added interest by the partially confirmed report from Washington last week that U. S. Ambassador Nelson T. Johnson was being withdrawn from Chungking and would be replaced by U. S. Minister to Australia, and former Shanghai Consul-General Clarence E. Gauss. Departure from Chungking suddenly of Sir Archibald Clark Kerr, British Envoy to China, and M. Henri Cosme, French Ambassador, within the same week, appeared to have left Dr. Currie the only accredited major foreign representative in the capital.

Dr. Currie arrived at Hongkong on Tuesday. He was met at the airport by a personal representative of General Chiang Kai-shek. No date had been fixed for his departure to Chungking.

Before leaving Manila, he told reporters that China's credit was good, and that China is not only keeping up with the payments she owed, but was even ahead of schedule.

Loyal Opposition

Representing America's first recognized "loyal opposition," but bearing no seal from the capitol, and consequently no restraint on speech, Mr. Wendell L. Willkie, recently defeated Presidential candidate, also was in Britain last week on a tour which he will break this mid-week in order to fly back to the United States and appear as final witness before the House of Representatives Foreign Affairs Committee inquiring into the Aid to Democracies Bill.

Mr. Willkie should have much to tell the committee if he tells them only a little more than he told pressmen in Britain. The Republican candidate stood on no ceremony, but moved freely where and as he wished throughout the country. "I am a tough egg but this moves me deeply. I am almost spilling over," he said when he dropped into a London shelter during a Nazi nuisance raid. Trade union chiefs he met at the Ministry of Labor on January 29 were "wonderful, stimulating." To Dr. Quo Tai-chi he always had regarded China as a representative of freedom. A day later the "tough guy near tears" was found riding a London bus, chatting with British sailors. He was impressed by the way London cleaned up its raid damage. At Portsmouth, "I think the Germans have a tough job on their hands," he declared. In a London "pub" he drew his own beer, chatted with the tavern-keeper and cheerfully exchanged beer for champagne at the latter's invitation to drink "to victory." "I was keeping this for Armistice," his host explained, and added: "But you being here is as good as an Armistice."

Foreign Pressmen Completely Gagged by New "Anti-Fifth Column Law in Japan"

A complete gag on foreign correspondents in Japan was seen through the anti-Fifth Column Bill introduced to the Diet on January 30 by the Minister of Justice, Lieut-General Heisuke Yanagawa.

Besides declaring it illegal to make public or supply to foreign Powers information relating to diplomacy, finance, economy and other matters on which "secrecy should be maintained in the interests of national defence," the bill makes its stringent penalties applicable to certain crimes defined by the Army and Navy Penal Codes, the Law of Protection of Military Secrets, the Law for Protection of Secrets on Military Resources, and the National Mobilization Act.

Another feature of the bill, according to **Reuter** is that it is applicable to crimes committed by all persons outside Japanese territory, they being held answerable for the crimes when coming under Japanese jurisdiction.

Article 8, especially would provide a blanket ban on any information "reflecting unfavourably" on Japan. with a punishment of up to 10 years imprisonment.

The revelation of national secrets to foreigners would be punishable by death under this new Bill.

The Foreign Office Spokesman, Mr. Ishii, this morning depicted himself as being most seriously affected should the law be enforced.

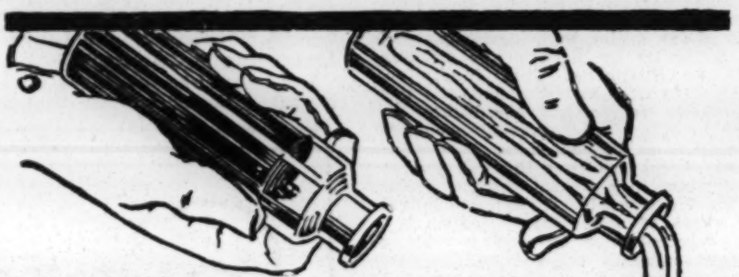
Domei stated that while welcoming the introduction in the Diet of the National Security Bill "in the light of the development of Fifth Column technique in modern warfare," the influential **Asahi Shimbun** editorially warned against abuses of the proposed statutes under which "honest citizens shall be regarded as spies."

"We believe that before pitying the fate of the defeated nations, all of us feel admiration for the clever tactics of our German ally," declared the daily.

"It goes without saying that secret warfare consisting of espionage, propaganda and intrigue, forms an important phase of total national effort at the front, and at home, side by side with armed warfare," the editorial continued.

"It is only natural that vital secrets, not only of military matters. hut relating to diplomacy, finance, economy and other national functions should be jealously guarded," declared the "Asahi."

The newspaper noted that since supreme national secrets were available only to high officials and those dealing with such vital matters, they should not have become available to foreign Powers in the past.



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Important Part Still Played by Silver in China

BY ESSON M. GALE (Condensed From "Amerasia")*

A conspicuous economic feature of the conflict between China and Japan has been the progressive inflation of the former's national currency, still the purchasing medium of the bulk of the Chinese people. Traditionally silver was the favored monetary agency of China. That country was one of the principal silver using areas of the world until the United States launched its silver purchase policy in December 1933. With the American Treasury in the market to buy silver at high prices in unlimited quantities, the metal began to escape from China in large volume. A severe deflation took place in the exchange value of the Chinese dollar. To check this, a fiduciary or managed currency was set up in 1935. Silver was "nationalized," and in the succeeding five years (1935-1939) exported abroad to the value of 806 million silver dollars.

These immense quantities of treasure were sold, there is every reason to believe, ultimately to the United States Treasury. Thus exchange credits were established overseas in American dollars as backing for the "legal tender" paper currency issued in China. The purchase of war supplies, combined with the shrinkage of export trade from free China owing to the Japanese coastal blockade or occupation of ports, made such heavy drains on these credits that the value of the Chinese dollar in terms of foreign currencies began precipitately to decline. An "exchange stabilization fund" of ten millon pounds sterling was set up jointly by British and Chinese banks at Hongkong. This fund, too, became exhausted in time, though it was occasionally replenished by profits obtained by taking advantage of exchange fluctuations as in September 1939. The Chinese dollar has gone through successive declines to a present value of under six American cents, from its original fixed value of about thirty cents.

The central banking system with a managed currency secured on the government's own bond issues and on credits obtained by sales of treasure abroad, was adapted to China's needs in times of peace. But this monetary arrangement could not withstand the shock of war. It is now a question, accordingly, whether it would still be possible to restore China's national currency to a metallic silver basis. The country's former silver reserves may be understood to be in the possession of the United States, stored in the large underground vault near West Point. Their restitution, under necessary safeguards and either in form of a loan or as an outright gift, might serve to provide a stabilized monetary medium for China.

Metal Deprecated

Many economists, it is true, deprecate the utility of metallic reserves. A national currency, they assert, once stabilized at a certain level will be maintained without further support so long as imports and exports balance. Shipments of specie may be required only to settle small temporary trade deficits. It is pertinent to recall, however, that prior to 1935 when new fiscal ideas came to prevail in old China, the Chinese dollar was based on a fixed weight of silver. While fluctuating somewhat in terms of gold, it maintained generally a value in the neighborhood of forty-two American cents, although exceeding the gold value of the American dollar in the extraordinary post-war appreciation of silver. In the decades of almost continuous civil war following the revolution of 1911, Chinese cities were frequently looted and partly destroyed. But with characteristic Chinese recuperative ability, as soon as the armies marched on, the normal processes of buying and selling were resumed. Hidden silver, or silver-backed bank notes, were brought out from their temporary hiding-places. The banks of the country, foreign-owned or Chinese, held huge stocks of silver ingots or coined dollars in their vaults, against which the paper issues had been made.

Heretofore neither the Japanese nor their new regime in China have been confident about the prospects of a new Central Reserve Bank or of the currencies which they have already sought to introduce, the Hua Hsing notes at Shanghai, and the "Federal Reserve" notes in North China. They have not created a currency powerful enough to supersede the legal tender issued by the four banks of the Chungking (nationalist) group, and now in the hands of the Chinese populace in amounts of billions of Chinese dollars. The **Japan Times**, organ of the Japanese government, prophesied, "As the establishment of a new central bank involves many difficult problems, the currency system will be untouched for some time."

Increasingly Chaotic.

Japanese authorities have taken over control of the office of the Central Bank of China at Shanghai and have handed it over to Wang Ching-wei, whose Reserve Bank has floated a huge new currency issue seeking by forced circulation to undermine the Chinese national dollar. The currency situation in China thus has become increasingly chaotic.

Chungking has indicated an increase of note issues to an extent of possibly Chinese $6,000,000,000 in the first half of 1940, with heavy increases since. In Shanghai alone the present circulation of Chinese national currency is estimated at over Chinese $7,000,000,000. The total circulation of currencies sponsored by the Japanese recently has been reported to have reached only Chinese $14,800,000,000 at most.

Admittedly the establishment of a silver reserve for the stabilization of China's existing "legal tender", or for the issue of "silver certificates" secured by a silver loan granted by the United States Treasury, would be surrounded by various technical difficulties, especially in view of the widespread readjustments in the Far East growing out of the weakening of the French and Dutch colonial governments. The magnitude of the problem, however, should not prove a deterrent to a thoroughgoing investigation of possibilities. No more difficulties should be encountered than are likely in giving effect to the U. S. $70 million "commodity loan" terms. If silver certificates were issued, they would virtually be a form of warehouse receipt for the less convenient silver coins, which would be retained in a place of security.

* Esson M. Gale was officiating Director-General of the Salt Administration in China in 1937. Before that he was in the American foreign service in Peiping and Shanghai. He is the author of a number of books on Oriental affairs and at present is a visiting professor at Northwestern University in the Department of Oriental Studies.

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(Continued from Page 345)

March. In September 1940, the power plants supplied electric light to 92,621 households and electric power to 4,082 industrial establishments. In October, 1940, the number of households using electric light from the company increased to 94,210, but the number of industrial establishments using electric power supplied by the company dropped to 3,983. In April the waterworks of the company supplied a total of 5,498,502 cubic meters of water but in September of the same year it supplied 5,764,389 cubic meters of water. The following table reproduced from the **Shanghai Mainichi** shows the amount of power supplied during the six-month period ending April 30, 1940:

Station	Power Supplied
Shanghai North	36,934,000KWH
Nanking	23,201,000
Changchow No. 1	11,571,000
Hankow	14,067,000
Soochow	2,334,000
Hangchow	4,989,000
Chinkiang	3,355,000
Yangchow	1,045,000
Wuhu	1,640,000
Kashing	319,000
Anking	212,000
Sunkiang	81,000
Kiukiang	449,000
Lushan	12,000
Changchow No. 2	679,000
Shanghai South	1,993,000
Total	101,881,000

The Central China Railway Company, capitalized at Yen 50,000,000, operates 700 kilometers of railways south of the Yangtze. With permission of the Japanese army, it operates also the southern section of he Tientsin-Pukow Railway south of Pengpu and the Hwainan Railway and the total length of railways now operated by this company is 1,100 kilometers. In addition, the company, since June, 1939, has opened a long-distance bus service between the principal cities of Central China.

According to figures published by Japanese press, the company transported 313,568 tons of freight and in June 455,-174 tons of freight. In August, it transported 403,444 tons of freight; in September, 426,114 tons, and in October, 463,865 tons, representing an increase of more than 150,000 tons as compared with March. Freight charges collected by the company in May were Yen 1,782,179, in June Yen 1,796,765, in August Yen 1,747,-665, in September Yen 1,800,829 and in October Yen 2,503,060.

Comparative sources of revenue in October, 1940, were as follows:

	Freight (Tons)	Revenue (Yen)
Hainan Line	179,834	999,795
Haihang Line	50,485	167,879
Sooka Line	641	3,149
Nanning Line	32,019	112,248
Southern Tsinpu Line	101,114	1,078,241
Hweinan Line	57,802	99,778
Northern Hweinan Line	41,980	41,970
Total	463,865	2,503,060

Profits in Silk

The Yen 10,000,000 Central China Silk Company at the end of 1939 operated 18 silk filatures with about 6,000 basins in Wusih and six other cities, but by the end of October, 1940, the company operated 21 silk filatures with a total of 6,704 basins. During the year ending October 31, 1940, the company made a profit of Yen 2,913,098 to which a sum of Yen 816,476 profit in 1939 must be added. The following list gives the names of the filatures operated by the company:

Location	Name of Filature	(Basins)
Wusih	Chen Yi	256
	Chen Yuan	352
	Ting Shen	592
	Hung Yu	548
	Ta Sen	208
	Ting Chong	512
	Pien Lum	248
	Yung Kong	208
	Ka Tai	304
	Ka Fung	360
Zashih	Shun Shan	232
Hangchow	Hangchow	240
	Wei Chen	700
	Wei Chen No. 3	240
	Soochow	428
Soochow	Changan	288
Changan	Fu Sing	240
Tsung Teh	Chang An branch	120
Kashing	Hwa Fu	220
Chapei, S'hai	Yu Tai	200
	Sin Chong	208
Total		6,704

The Central Salt Company was established in August, 1939, with a capital of Yen 5,000,000, to exploit the salt industry in Central China. For the year October 1, 1939 to September 30, 1940, the company made a net profit of Yen 532,030.83. From this amount, however, must be deducted the loss of Yen 47,-669.92 for the previous year. Shareholders of the company are expected to receive an 8 per cent dividend this year.

Mining and Shipping

The Hwainan Coal Mining Company, capitalized at Yen 15,000,000 had also a profitable year. It made a profit of Yen 1,345,753 during the past year. During the period, it turned out 176,900 tons of coal, representing an increase of 11 per cent as compared with the previous year. Of the total production, 121,000 tons were sold and in the next year, it is expected to produce 254,800 tons.

The Central China Steamship Company, organized in February, 1940 with t capital of Yen 30,000,000 (of which the Chinese were supposed to have furnished Yen 16,000,000 and the Japanese Yen 14,000,000) operated shipping lines along the China coast and engaged in wharfage and storage business. In the few months of its operation, the company made a profit of $111,577.67 according to the annual report of the management to the shareholders' meeting on November 28 in Shanghai. Mr. Soo Hsi-wen, until recently secretary-general of the "City Government of Greater Shanghai", is the director.

Apart from the entirely Japanese reports on the above seven companies, no information is available regarding the conditions of the other subsidiary companies, including the Central China Mining Company, the Central China Tele-Communication Company, the Central China Marine Products Company, the Shanghai Real Estate Company, the Greater Shanghai Gas Company, and the Shinko Housing Association. In this connection it must be pointed out that these subsidiary companies, though referred to as Sino-Japanese concerns, are managed and operated by the Japanese. Chinese "capital" is property stolen from the old Chinese companies which are not represented in the new concerns.

Third Power Interest

The Central China Railway Company, for example is operating the Nanking-Shanghai, Shanghai-Hangchow-Ningpo, Kiangnan, and the southern sections of the Tientsin-Pukow Railways, but no representative of the European interests which advanced large sums of capital to build these railways or to equip them with rolling stocks is on the management. Representatives of the British-China Corporation which has large financial interests in the Nanking-Shanghai Ralway have not been permitted to survey the losses of the line sustained during the hostilities.

There was much talk of the return of these railways to the "Reformed Government" in Nanking in the early part of 1940 but it was revealed that the amount asked by the Japanese interests as payment for the repair of the line and as cost of the rolling stocks which the Japanese "put into operation" far exceeded the total original cost of building the railway.

In the case of the power plants and water works, the interests of the Chinese shareholders of the original companies likewise were calmly ignored.

It should be mentioned in conclusion that the Japanese authorities are changing their policy regarding the activities of the Central China Development Company ths year. The change of policy is of great importance, because the Japanese will not try to restore the economic conditions in Central China as planned, but will, instead, direct the activities of the company to supplying Japan with raw materials. In other words, subsidiary companies operating public utilities will receive little attention, while those producing coal and other minerals will be developed. Other Companies will have their running expenses curtailed. Because of the change of Japan's policy on the export of silk, the Central China Silk Company will not increase silk filatures, but instead will open a silk weaving factory in Hangchow.

The fragmentary accounts of the profits of the subsidiary companies of the Central China Development Company given above fail to show the actual benefit derived by the Japanese, because they do not include the large quantities of raw materials and benefits thieved by the Japanese military.

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Shanghai H.C.L. Hits All-Time Record With Index at 450 Per Cent Above Average

Four and a half times higher than average, Shanghai's High Cost of Living, inevitable accompaniment of war, exploitation, embargo, civil strife, and squeeze, reached its highest level in history this month. Compared with a year of approximate peace in 1936, living costs as compiled by Municipal Council indices for January this year, were statistically over four hundred points higher than average.

Nor had the rise apparently hit its peak. January was three per cent higher than the previous month, for Chinese workers, while at the same time the purchasing power of the dollar dropped more than one per cent, from 17.25 in December to 16.75 in January, using the 1936 dollar as 100 percent for basis of comparison.

Individually among the items in living costs, the food index was highest. With the 1936 average as 100 per cent, food prices this month were indexed at 674.62 for Chinese, a rise of 13.40 points over December. For foreign salaried residents, food rose 10.39 over the previous month to 219.39, using the year 1939 as percentage base.

Clothing, fuel, rent and miscellaneous items showed an equally startling gain. For Chinese workers, the clothing index rose 13.72 points to a 432.44 percentage; fuel rose 11.19 to 563.05; miscellaneous articles rose from 23.88 to 497.18; and rentals for one-story houses rose 3.84 percent, for two-story houses 9.61, for houses with courtyards, 24.94 percent.

Clothing Costly

For all nationalities, including foreign, clothing was up 4.58 points to a 198.30 percentage compared with 1939; rent was up 16.43 to 162.85; heat, light, water and refrigeration were up 4.94 to 199.26; and miscellaneous articles were up 16.64 to 170.17.

With the increase in living costs came the subsidiary increase in fees, taxes, and surcharges brought on by rising overheads. Transportation facilities, including buses, street cars, and taxis, received an approximate 35 percent increase by action of the Municipal Council. The former 158 percent surcharge on fuel by the Shanghai Gas Company was raised to 250 percent. Tuition fees in all S.M.C. schools for Chinese and foreign pupils were boosted from 30 to 100 percent.

To cope with the soaring price of rice, accountable largely to profiteering, vigorous action on the part of Special Municipal Police in conjunction with the new Rice Price Fixing Committee helped stabilize prices and resulted in the arrest of several dealers suspected of "price-exorbitancy".

Charitable organizations likewise moved to alleviate the situation.

Cooperative Rice

The Shanghai Foodstuffs Cooperative Society, an organization started by well-to-do Chinese, placed rice and grain on sale by a registry system, whereby small purchasers might buy rice directly from the place of production by registering an order and depositing only part of the money required before it arrives. All freight, insurance, and other fees will be borne by those who have placed orders, collectively and proportionately.

Acting to implement his promises to relieve the rice problem, Mayor Chen Kung-po of the Municipality of Greater Shanghai was host at luncheon last Thursday to a number of officials of the Municipal Council's Food Supplies Sub-Committee including Sir R. Calder Marshall and Mr. C.C. O'Connell.

It was revealed that the situation was taking a decided turn for the better and stocks were reported to be ample for immediate needs for several months. On Friday local stocks were 577,000 zahs of native and imported rice ranging from $95 to $104 for domestic and $80 to $84.50 for Saigon rice, showing a decrease.

Chen's Promise

Last November, when rice prices soared dangerously every day, Mayor Chen Kung-po promised that he would help to ship 7,000 bags of native rice to Shanghai every month. Promises were also made to stop profiteering through Control Committee action. Wider powers were given officials of the French Concession, and confirmation has been given that stabilization is being effected in that area. Native shipments have increased somewhat to alleviate the International Settlement area, but price control is still a major problem due to complicated legal jurisdiction.

Asked if price control could not be enforced despite extrality rights and exchange differences, an official of the Price Committee replied last week that it could be introduced successfully providing the benefits accruing to the public would "be commensurate with the expenses involved in such a venture." Wholesale prices would have to be controlled too, he said, otherwise it would prove impractical.

(Continued from Page 843)

Making Japan a Catspaw

into non-aggression pacts—for what they are worth—and has refused to abandon her assistance to China. Mechanized transport has annihilated distance and blitzkrieg methods change the fate of countries overnight.

What resistance can Japan offer to a determined attack on Manchukuo? Her army, according to a distinguished German general who has seen it in action could not stand up against any European country, Italy perhaps excepted. Her air force is obsolete in equipment and negligible in numbers. Her Navy, invaluable in a campaign against the long coast line of China, is powerless to intervene against a land power with all its resources self-contained, and able to choose its point of attack.

Germany is striving to make Japan a catspaw to distract the attention of Britain and America from the European theatre of war, but she has no desire to see 20 years of hard work in China confiscated as the price of assistance. She is not inclined to revive the anti-Comintern pact to provide Japan with the hegemony of East Asia. In fact a diversion on the western front is most unlikely to be undertaken for her benefit.

Japan's military clique have placed her between the devil and the deep sea. She has exhausted herself with a useless and unprofitable campaign in China for the glory of a few shortsighted ambitious individuals. The maintenance of prestige, so dear to the Oriental, has compelled her to advance, where she ought to have retired to cut her loss, and each step has involved her in further difficulties. She appears to be back to the situation at the end of Hideyoshi's reign, dangerously extended and with the alternative of retrenchment, or of sinking into obscurity for centuries as the result of an over-ambitious policy.

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Outstanding Events in the Sino-Japanese War A DAY-TO-DAY SUMMARY

First installment of this day-to-day summary constituting a complete record of outstanding events in the Sino-Japanese war on all fronts appeared in the September 11th (1937) issue of The Review.

January 19

Possibility of building a highway leading directly from China to India in order to give China an international inlet other than the Burma Road, was discussed by officials of the Chinese Government.

Fighting near Ichang was reported by **Reuter.** The Japanese were said to have taken the initiative, some 5,000 of their troops from Lungchenfu, east of Ichang having advanced towards Lungwangtung, Sangehialing and Tutinai, supported by more than ten aircraft, on January 16. These forces, the Chinese reports claim, were repulsed, whereupon the attack was renewed with reinforcements and over 20 planes on January 17. Severe fighting followed and is still continuing.

Domei despatches from Indo-China said that both the old and the new bridges carrying the Burma Road across the Mekong River at Kungkuo were "apparently unusable" following a bombing raid on the new bridge carried out by Japanese naval planes operating from Japanese air-bases in French Indo-China. Important Chinese tin smelters located at Kokiu in south-eastern Yunnan were also bombed. Several bombs were dropped on the outskirts of the village without causing important damage.

⁂

January 20

Japan has paid a heavy price in gold and in loss of trade and shipping revenue for her campaign to conquer China, according to impartial economists and international experts consulted by the **United Press.** A net gold movement of about U.S.$700,000,000 of the United States since the Marco Polo Bridge Incident in July, 1937, was but one index to this price.

A fleet of Japanese airplanes raided Shiuchow, provisional seat of the Kwangtung Provincial Government. More than 50 bombs were dropped, destroying scores of houses and causing a number of casualties.

The puppet Central Reserve bank of the Nanking regime officially opened its Shanghai office at 15 the Bund. Chou Fu-hai, Minister of Finance of the Nanking regime and concurrently Governor of the institution, presided over the ceremonies. Guests present were mostly new Chinese puppet officials and Japanese.

⁂

January 21

Revealing that the trouble with the New Fourth Army began last July, a **Ta Kung Pao** editorial made a fervent appeal to the government to be cautious and lenient in its settlement of the trouble for fear of endangering China's hard-won national unity.

Japan's first partyless Diet reconvened with Premier Prince Fumimaro Konoye's address to the House of Peers.

January 22

Belief that both the Chinese and European conflicts would be long wars was expressed by Gen. Kazuma Suzuki, former commander of the Japanese forces in China. Gen. Suzuki declared that the Chiang Kai-shek regime, assisted by both the United States and Britain, would keep up resistance against Japan for a long period to come.

General Li Tsung-jen, commander of Kwangsi forces said recent international developments had been favorable to China. "Better times are coming for China," Gen. Li said, "because friendly Third Powers realize they have vital interests in a Chinese victory over Japan."

Eighteen Japanese planes, out of 27 which set out, flew over Chungking and bombed the industrial district of the west of the city.

Kunming, after almost three weeks respite, was again bombed by Japanese, causing heavy loss of life, but failing to hit military objectives.

January 23

In a special ratepayers meeting called to vote on proposed increases in taxes and licence fees of the Shanghai Municipal Council, Mr. W. J. Keswick, British chairman of the Council, was shot and wounded by Mr. Yukichi Hayashi, chairman of the Japanese Ratepayers' Association in Shanghai. Mr. Hayashi, who also shot Mr. I Okamoto, Japanese Councillor, and Mr. K. Ikeda, Assistant of the S.M.C. Secretariat, was placed in the custody of the Japanese Consular Police.

⁂

January 24

President Roosevelt's administrative assistant, Mr. Lauchlin Currie, was given a leave of absence to visit Generalissimo Chiang Kai-shek and obtain first-hand information on the Chinese economic situation, **United Press** reported from Washington.

⁂

January 25

Britain would protest to Tokyo against the shooting of Mr. Keswick, chairman of the Shanghai Municipal Council, at a ratepayers meeting in Shanghai, **Reuters** report from London said.

Mr. William Bullitt, former U.S. Ambassador to France, told the House Foreign Affairs Committee that the U.S. main purpose should be to prevent the defeat of Britain, but that it was "vitally important" Chinese resistance be continued.

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Who's Who in China

Chen Shao-ying, military and civic official, born in Pu-kiang District, Chekiang, 1886; graduate, Chekiang Military Academy; Divisional Commander, Chekiang Supporting Fukien Forces, 1918:

陳肇英字韓夫

Chen Shao-ying

Commander of the First Route Army under Dr. Sun Yat-sen during time of Chen Chung-ming Rebellion, 1921; Commander of Hu-men Fort, Kwangtung, 1924; important official posts held also including: member of the Central Executive Committee of the Kuomintang Party; Deputy Staff Officer, Generalissimo Headquarter of the Kuomintang Revolutionary Army, 1927; member of the Legislative Committee, Legislative Yuan of the National Government concurrently Chairman of the Military Commission of the Legislative Yuan; preparatory member of the Fukien Representative Committee; special superintendent of party affairs for Fukien Province: Superintendent of the Control Yuan in Fukien and Chekiang Province; since outbreak of Sino-Japanese War, has been elected concurrently presidential member of the Anti-Japanese and Rear-Supporting Committee of the Fukien Province; now: presidential member of the Executive Committee of Fukien Province.

Quezon Assures U.S. of Philippines Aid

President Manuel Quezon of The Philippines, who is seriously ill, sent a message to the Philippine Assembly on Jan. 31 in which he declared that the Philippine Commonwealth "would stand with the United States in the event of war." He said that the Commonwealth's greatest concern at present is national defense, but since the country lacked resources, it was forced to depend on the U.S. . . . "So long as we are under the American flag, it rests exclusively with the United States whether we shall be at peace or war," he declared. The same evening his statement was issued, President Quezon was responsible for a serious commotion when he caused the police to halt a ball which was being given on President Roosevelt's birthday. Previously President Quezon had issued instructions to the police to place a ban on merry-making as a war measure. Public dances were ordered to close at midnight on week days and 2 a.m. on Saturday nights. The first major function affected by the order was the Roosevelt Birthday Ball—at which High Commissioner Francis B. Sayre and U.S. Army and Navy officers were guests. U. S. report said the police action was "booed" by the angry guests.

Men and Events

Henry Cosme, French Ambassador to China, arrived in Shanghai last week from Haiphong. Mr. Cosme spent considerable time in Chungking late last year and according to report plans to proceed to Peiping shortly.

*

Japanese military authorities at Hsinking, capital of Manchukuo, announced on Jan. 31 that they were planning construction of a new bridge across the Yalu River connecting Manchukuo and Korea. The new bridge will cost about Yen 1,500,000 and will require about two years to construct.

*

Chi Chueh-lin, brother of the late Panchan Lama, Tibetan religious pontiff, who died at Jyekundo, Kokonor (Chinghai) on Nov. 30, 1937, has proceeded to Taerhssu from Chungking, according to report from Chungking on Feb. 1. The object of his trip, stated the report, was to seek a successor for the Panchan Lama, who is selected in the same manner as the reincarnation of the Dalai Lama.

*

According to the **Japan Advertiser,** Miss Lee Shan-lan, popular Chinese film star and singer, who is connected with the Japanese-controlled and operated Manchurian Film Company, is making a tour of Formosa, where she is making stage appearances at various theaters. She is booked for a five-day engagement at the Sekaikan theater in Taihoku, according to the reoprt.

*

The annual meeting of the Chinese Red Cross Society is scheduled for Feb. 21—in Hongkong—according to reports in the Chinese papers. Hsu Shih-ying, former Chinese Ambassador to Tokyo and Chairman of the National Refugee Relief Commission, arrived in Hongkong on Jan. 25 for the purpose of making preparations for the meeting, stated the report.

*

The Japanese movie censors have only approved nine American films for exhibition in Japan in 1941, according to **Havas** message from Tokyo on Feb. 1. They are, M. G. M's "Boom Town," and "Flight Command;" Universal's "Destry Rides Again;" Columbia's "Arizona;" Warner Brothers' "Santa Fe Trail," and "Meet John Doe;" United Artists' "The Real Glory;" 20th Century Fox's "Alexander Graham Bell;" and Paramount's "I Wanted Wings." The Japanese authorities have reduced the import of American films by 40% concluded the report.

*

Ford cars are still the most popular in Shanghai, according to figures released by the Municipal authorities at the end of December, 1940. Of the 6,410 private cars, the number of Fords was 1216. Austins were next with 597, with Plymouths third with 483. Chevrolet and Morris each have 450. The Buick has 400 registrants, followed by 314 Fiats, 292 Dodges and 254 Studebakers. Chrysler has a few less than 160, while Overland Whippets, once popular here, now have only 23. Among the most expensive cars Rolls Royce has 2 and Pierce Arrow a similar number. There is only one each of Daimler-Benz and Isotta Fraschini. The Japanese, who have announced their intention of capturing the entire Far Eastern automobile market, have only 38 Datsun puddle-jumpers registered here. Among the little known European types there are 2 Alfa-Romeo, 1 Edoard Beanchi, 1 La Licorne, 2 Mathis, 20 Peugeot, 1 Tatra, 8 Skodas, 2 Sunbeams, and 1 Sizaire Freres. Among the taxicab concerns Chevrolets lead the field with 259 registered, while Ford is second with 219.

More than 4,000 American missionaries, who have returned to the United States from China since the beginning of Sino-Japanese hostilities, are now making disparaging remarks and diffusing malicious propaganda about Japan, according to Tsunetaro Miyakoda, chief secretary of the Joint Committee of Christian Federation in Japan. Mr. Miyakoda declared, in an interview in the **Hochi,** which is the Nazi organ in Tokyo, that the American people "have been considerably stirred by anti-Japanese remarks made by American missionaries, who have returned home from China since the beginning of hostilities." He said that Japanese Christians challenged the propaganda that they were being "oppressed" by their government, and declared that Japanese Christians faced with an emergency, "would never oppose their government."

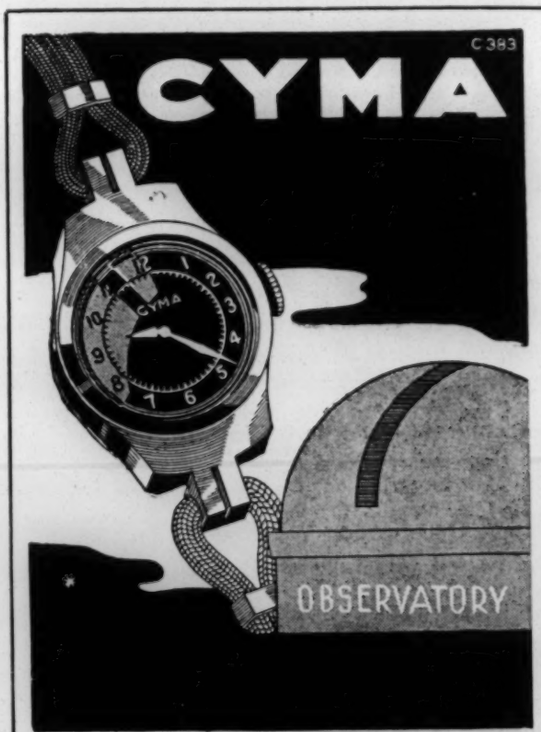
*

Five persons were killed and one seriously injured when a China National Aviation Corporation's plane crashed in the mountains near Kian, wartime capital of Kiangsi Province on Jan. 20. The sole survivor was P. L. Chang, radio operator, who is recovering in a hospital. Those killed included Bernard Wong, pilot; K. C. Wu, co-pilot; C. Chen, radio operator; Z. Kwong, company employe and Y. W. Yeh, who had chartered the plane. The plane crashed in a severe thunderstorm. The plane was a trimotored Ford which had been purchased several years ago. Bernard Wong, the pilot who was killed was born in Victoria, British Columbia and was 35 years old. He is survived by his wife and two-months' old daughter, and a brother, Dr. B. K. Wong, Shanghai dentist. Pilot Wong was graduated from a Chicago aviation school and had been connected with C.N.A.C. for eight years. He flew the last plane bearing Nationalist officials from Hankow to Chungking, prior to the Japanese occupation of Hankow in 1938.

The National City Bank of New York, Guaranty Trust Company, Bankers Trust Company, and Chase National Bank have formed a U.S.$11,000,000,000 coalition financial organ for the purpose of coordinating and expediting National defense financing in the United States, according to **United Press** message from New York on Feb. 2. The new financial organization will cooperate with the Federal Government to form a clearing house for defense loans for the country's 15,000 banks and for the financing of manufacturers which are producing defense materials. Aside from the new financial organ designed to coordinate domestic financing, the President announced on Feb. 1 that eight American nations had indicated willingness to subscribe to the capital of projected Pan-American Bank which will have a capital of U.S.$100,000,000.

*

The U.S. Government has protested to the Italian Government regarding the "deliberate, wanton assault on non-military objectives and on non-combatant civilians," in connection with the Italian bombing of an American mission station on the Upper Nile. According to the Washington report, Italian planes bombed the American mission station at Doro, province of the Upper Nile on August 23 last, killing two American missionaries and wounding several others. On Nov. 6 the Italian authorities replied to the American protest rejecting portions of the American note which "contained criticism of the Italian armed forces." The State Department announced on Feb. 1 that no further communication had been received from Italy, hence another note was sent to Mussolini's Government calling attention to the fact that the Italians had been informed of the presence of American missionaries and that an American flag had been prominently displayed over the mission.



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Lo Chen-pang, recently appointed Manchukuo Ambassador to Italy, presented his credentials to King Victor Emmanuel on Feb. 3.

*

Shinichi Shibuzawa, secretary in the Tokyo Foreign Office has been appointed First Secretary of the Nanking Japanese Embassy.

*

Yuzo Isono, Second Secretary of the Japanese Embassy and concurrently Consul at Shanghai, has been appointed Consul-General at Rangoon.

*

Teizo Sekiya, Deputy Mayor of Hsinking, capital of Manchukuo, has been appointed Councillor of the Manchukuoan Embassy in Nanking.

*

Naokichi Kitazawa, former secretary of the Japanese Asia Development Board, has been appointed Consul-General at Peiping. He departed from Shanghai for his new post this week.

*

Saburo Kurusu, retiring Japanese Ambassador to Germany, was received by Reichsfuehrer Hitler in Berlin on Feb. 3. The Foreign Minister, Joachim von Ribbentrop also was present.

*

The Ministry of Economics at Chungking announced Ch.$1,000,000 will be advanced to "small industries" in the form of loans. Thirty-seven factories of this character were assisted by loans last year, according to the **Kuomin** report.

*

Chen Pai-fan, Counsellor of the Chinese Embassy (Nanking) in Japan, arrived in Tokyo on Feb. 3 to arrange for the arrival of the Nanking Ambassador, Chu Min-yi. According to **Central Press** Ambassador Chu and Mr. Chen will shortly get into touch with Japanese official and private circles "for the purpose of promoting friendship between China and Japan."

*

The German **Transocean** service announced on Feb. 4 that a new German Consulate had been opened at the border town of Manchouli, located at the point where the former Chinese-Eastern Railway crosses the border between Manchuria and Russian Siberia. Vice-Consul Beckmann, formerly stationed in Yokohama, will have charge of the new consulate. It also was announced that the Germans will shortly open another consulate at Kokutsu.

*

Mr. S. O. Levinson, well known Chicago attorney and expert on the subject of the World War debts to the United States, died in Chicago on Feb. 3 at the age of 75 years. Mr. Levinson was popularly credited with being the "father" of the Kellogg-Briand Pact to Outlaw War. He was born at Noblesville, Indiana and was a graduate of Yale. He specialized in the reorganization of industries and railways. He was the recipient of numerous honorary degrees and medals from various universities.

Major Kunio Akiyama, who has been stationed in Tokyo, arrived in Shanghai this week to join the general staff of the Japanese forces.

*

The Madrid Government on Feb. 2, appointed Senor Alvaro Maldenade Llinan, well-known Spanish diplomat, as Consul at Shanghai. He formerly served in Rio de Janeiro and Havana.

*

Air trips between Chungking and Moscow have been cut from nine to five days, according to a report in the **Ta Kung Pao** at Chungking. The decision to cut down the time was taken at the third meeting of the board of directors of the Sino-Soviet Aviation Corporation held Jan. 13-15 at Alma Ata on the Turkestan-Siberian Railway, stated the report.

*

A **Havas** message from Tientsin on Feb. 3 stated that the American Chemical concern, E. I. Du Pont de Nemours and Company, was closing most of its branches in China, including Tientsin, Hankow, Changsha and Tsinan. W. J. P. Calder, manager of the Tientsin office, will return to the United States. The only officers retained in China will be at Shanghai and Chungking, stated the report.

*

The Cabinet Information Office in Tokyo announced this week that the Afghanistan Government was sending an economic mission to Japan in March of this year. The Mission will be headed by Ghulam Ghaus Khan, Vice-Minister of Economics and President of the Afghanistan Chamber of Commerce and Industry. He will be accompanied by eight members of the Chamber of Commerce. They will remain in Japan for 45 days inspecting industrial establishments and Japanese cultural activities.

*

The National City Bank has announced the closure of branches at Hankow, Harbin and Osaka recently, with the possibility that the branch at Dairen also will be closed shortly. The branch at Moukden was closed some time ago. According to **Domei** it was decided to close the Osaka branch because of the inability to conduct exchange transactions as a result of Japanese restrictions. The Osaka branch, once one of the most profitable in the Orient, was opened in 1925. Other branches are still functioning at Tokyo, Yokohama and Kobe.

*

H. H. Ling (Ling Hung-hsun) has been appointed director of the Northwest Highway Administration, with headquarters in Kunming. Mr. Ling has had extensive experience in engineering work in interior China, particularly on the Lunghai, Canton-Hankow and Hunan-Kwangsi Railways. According to **United Press** message from Chungking the Government is taking steps to coordinate the administrations of the Northwest and Southwest Highway administrations in the hope of bringing about greater efficiency in the operation.

*

James C. Burke, son of Dr. W. B. Burke, well known Methodist missionary at Sungkiang, arrived in Shanghai last week from Hongkong. Mr. Burke, formerly on the staff of the Richmond, Virginia **Times-Dispatch**, is now engaged in compiling material for a book dealing with his father's life. The book will be published by Farrar and Rinehart. Dr. Burke, who is over 80 years of age, has been in China, mostly at Sungkiang, for 53 years. He was a member of the American Rifle Team, formed at the time of the Boxer Rebellion. The Team later grew into the American Company, S. V. C. Sungkiang, located in southern Kiangsu is well known as the burial place of the late American Gen. Frederick Townsend Ward, leader of the Ever Victorious Army in the Taiping Rebellion.

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Admiral Harris Laning, 67, U. S. Navy, retired, who died at his home in Philadelphia on Feb. 3, served in the Spanish-American War, World War and China Relief Expedition. He was a native of Petersburg, Illinois.

•

The **Central China Daily News** (Wang Ching-wei's) reported on Feb. 3 that Shanghai consumes 4,000 cases of cigarettes monthly. Commenting on this the paper said that since each case costs $800, it meant that Shanghai consumed Ch.$3,200,000 worth of cigarettes monthly.

•

J. W. Carney, executive official of Standard-Vacuum Oil Company and Vice-Chairman of the Municipal Council of the International Settlement, planned to depart this week for the United States where he will reside in the future. Mr. Carney came to China in 1911 and for six years was stationed at various places in the interior of the country. He was elected to the Municipal Council in 1930 and has served on the Council on five different occasions. Mrs. Carney returned to the United States last year.

•

Japanese authorities at Chungking announced on Jan. 31 that there shortly would be a drastic reduction in the number of Japanese consulates in the puppet state. The first consulates to be closed will be those at Hailar, Tungan, Suifenho and Hunchun, as well as numerous branches of these and other consulates. The report stated, significantly, that the administration of Manchukuo "had advanced" sufficiently for the officials to take over the work previously performed by the Japanese Consulates, particularly the work of gathering information about conditions on the border of North Manchuria.

•

The annual report of the committee having supervision over German Jewish refugees in Shanghai showed that Ch.$3,256,419.67 was expended in 1940 in the care of 23,310 persons. Most of the money was received from Jewish charitable organizations in the United States, although considerable also was raised here. The report showed that 700 children are attending the school maintained for refugees. The kitchen in the Embankment Building provides food for 500 persons daily. There were 70 maternity cases between Feb. 11 and Dec. 31, 1940. Those who arrived in Shanghai from Germany last year included 409 married couples, 208 children, 374 single men and 468 single women. The number who departed from Shanghai was 264, including 139 persons who were assisted by the Committee.

Major Hisashi Nishi has been appointed Assistant Military Attache to the Japanese Embassy in Berlin, in succession to Lieut-Colonel Hiroshi Akita. The Japanese military authorities also appointed Lieut.-Colonel Umeichiro Ota Assistant Military Attache at Rome in succession to Major Yasuji Okada.

•

Major K. M. Bourne, Commissioner of Municipal Police, and other officers, were hosts at a farewell dinner on Saturday evening, Feb. 1, at the Police Club, in honor of Col. J. W. Hornby, retiring Commander of the Shanghai Volunteer Corps. Col. Hornby is departing shortly for Hongkong, where he will await orders. Col. Hornby came to Shanghai in 1937 to assume command of the Volunteer Corps. His place as Commandant will be taken by Major G. H. Mann, who previously was with the engineering staff of the Public Works Department, but for the past year has been with the S.V.C. Headquarters. J.W.P. Marsh, member of the Committee of the British Residents Association, resigned from the organization on Jan. 30, in order to proceed to Singapore to join the British military forces.

•

Stuart J. Fuller, 61, Assistant Chief of the Far Eastern Affairs Division of the State Department, died in Washington on Sunday, Feb. 2. Mr. Fuller had long experience in consular posts in the Far East, starting as Vice-Consul at Hongkong in 1906. Later he served at various posts in Europe and Central America, following which he returned to the Far East to become Consul-General at Tientsin. Mr. Fuller was best known as an authority on the narcotic situation in the Far East. He served as the American representative from the 15th to the 24th session of the League of Nations Advisory Committee on Traffic in Opium and other Dangerous Drugs. He also served as American delegate to conclude a Convention for the Suppression of Illegal Traffic in Narcotics at Geneva in 1936. Mr. Fuller was born at Keokuk, Iowa.

•

Lieut-General Hiroshi Oshima, recently appointed Japanese Ambassador to Germany, departed from Harbin on Feb. 3 for his new post, traveling by way of the Trans-Siberia Railway. He will stop over in Moscow for a conference with Lieut.-General Yoshitsuga Tatekawa, Ambassador to Russia, before proceeding to Berlin. Gen. Oshima, while on his previous ambassadorship to Germany, was credited with chief responsibility for Japan's joining the Axis. In an interview at Harbin he said that his chief object would be to bring about a rapprochement between Japan and the Soviet Union.

•

St. Patrick's Society of Shanghai elected the following officers at the annual meeting held at 27 The Bund on Jan. 31: President, W. O. Clarke; Vice-President, A. J. H. Carey; Honorary Treasurer, E. F. Hardman; Committee, P. T. Carey, D. J. Collins, P. A. Corbett, E. Heenan, W. J. MacDermott, T. Murphy, R. E. O'Connell, B. K. Wallace, C. Reeves and J. F. Brister. Plans were made for the annual celebration of St. Patrick's Day in traditional manner, which includes the placing of a wreath at the Cenotaph. It was voted to increase the fee for life membership from $60 to $120. Mr. Clark in his address urged all members to join the British Residents Association. Membership now totals 131, of whom 48 are life members.

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New Books of Interest in the Far East

An Odyssey Of Wars

NIGHTMARES MUST END, by Hessell Tiltman; published by Jarrolds, London; 288 pages, price 12/6.

Despite its tawdry title and somewhat romantic viewpoint, this book is the best balanced of recent journalistic autobiographies and gives by far the finest account that the reviewer has read of the Shanghai warfare in 1937. The first chapter, in which Mr. Tiltman reviews most of the world in a shell-hole near Lotien, is in the worst melodramatic convention of beginning this type of book, but after that he tells his story well and clearly—from Shanghai, Canton and Japan to Spain in the last days of the civil war there, in the Balkans, in Poland during the beginning of the present European war, and in Italy when that land was still "neutral," as a correspondent of the London Daily Express. He attempts no more than to tell a personal story and present personal observations and opinions, in all of which is much solid raw material of history.

He correctly dates the beginning of the "Great War of Aggression" on September 18, 1931—when the Japanese launched their conquest of Manchuria,—then adds: "The rape of Manchuria, tolerated by Great Powers pledged to uphold the 'administrative and territorial integrity of China,' was the signal of a world-wide putsch against the status quo which had existed since 1918—a putsch in which a paranoiac former Austrian house-painter, a former Italian Communist, a divinely descended Emperor, and, later in the proceedings, a former Tiflis bank robber named Stalin, banded together in a strange and unholy alliance to wage a new sort of war against their neighbors for the dominion of three, and may be four, continents."

There is one major error in this over simplified summary. The Nine Power Treaty did not pledge the signatories to "uphold" the "administrative and territorial integrity of China," only to "respect" it—which made it merely individually and not collectively binding. This, of course, does not alter the case that the Western signatories should have, sheerly in their own interests, cracked down on Japan no later than early 1932—before she had got far out of hand.

Besides presenting the well known fact that the United States has supplied Japan with half or more of her essential war supplies, Tiltman also points out that something over half of China's total imports of war munitions were sold to General Chiang Kai-shek by Germany and Italy. (Even since Japan joined the Axis, it is reliably reported that some of the munitions reaching Chungking via the Soviet Union are from Germany!)

The reviewer is duly impressed by Tiltman saying that he "learnt to place absolute reliance" on the veracity of General Wu Teh-chen—for the reviewer, too, over many years has found General Wu to be "tops" in reliability among Chinese spokesmen, and it is a pleasure to set forth this double tribute to him.

In dealing with Spain, where Tiltman spent some time with the Franco armies—until deported,—he presents both facts and views quite at variance with those that have been so passionately promulgated by Stalinist fellow travelers. "Carefully checking-up on the spot," says Tiltman, "in consultation with neutral observers, seemed to indicate that out of 800,000 men under arms on the Nationalist side, some 40,000 were Moors from Spanish Morocco and 20,000 Italians....All the rest of the infantry fighting for Franco ....were Spaniards. There were many Italian aviators in Spain, and Italians also formed a large part of the tank corps which played a notable part in the final defeat of the Republic. German and Italian material aid—especially artillery and warplanes—undoubtedly made a Franco victory more certain. But the Italians most emphatically did **not** win the war." Italian correspondents, however, could send uncensored messages, wherefore there was a Roman victory almost every day for Italian consumption—which both greatly angered Franco and supplied the fellow travelers with material for their now widely accepted legend.

Tiltman does not defend Franco—quite the contrary,—but he does point out that there was no less "idealism" on the Nationalist than on the Loyalist side. For most people, of course, it is "idealism" only on the side they support; on the other side, it is "fanaticism!" In summary of the Spanish civil war, Tiltman says: "Germany got certain industrial concessions. Italy got a lasting hatred. The Spanish grandees got their estates back. The Catholic Church regained control over education and the lives of men which had been in danger of slipping. And Spain.... got....a Nazi salute." He suggests, however, that Franco is both a "devout Catholic and patriot," and that it is not likely Spain will actively aid the Axis—especially in view of Hitler's deal with Stalin.

Tiltman also gives what seems to be a very balanced summary of the Hitler-Stalin pact: "The Soviets would, probably, have aided Poland with munitions and planes with which to resist aggression had not Chancellor Hitler, in a final desperate attempt to destroy Poland without precipitating a European conflict, over-bid the Polish-British hand. Britain could not offer Stalin a free run of the Baltic States without invalidating her whole stand for the rights of small nations; Hitler was, as events proved, under no such inhibitions."

Sticking well to facts so far as the present is concerned, Tiltman appears somewhat romantic about the future. His personal philosophy, however, is a sound one, best shown by his comment on being deported from Spain because even the Daily Express was too "leftist" for Franco's ideclogical henchmen: "Ten years before in Moscow, I had informed Litvinov, when he complained that my dispatches failed to discriminate between the differences in motives of red dictatorship and Fascism, that if I was shot in the back for my opinions I wasn't particularly interested whether the bullet which ended my life was a Socialist bullet or a Fascist bullet—what interested me was that I was shot in the back for my opinions."

W. B.

Burma Road In History

THE MARGARY AFFAIR AND THE CHEFOO AGREEMENT. By S. T. Wang. London. Oxford University Press, 1940. 138 pages. 7s.6d.

Hundreds of American trucks rolling daily along the Burma road now provide hardpressed China with her most im-

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In the United States Court for China

In re: Estate of ABNER NORRIS SPENCER Deceased	Cause No. 4568 Special Proceedings No. 2447 NOTICE

Pursuant to an Order of said Court notice is hereby given to all persons having claims against the estate of Abner Norris Spencer, deceased, to present the same with vouchers to the undersigned on or before August 9th, 1941, and all persons owing debts to said deceased are hereby notified to make payments of the same in due course to the undersigned.

J. B. Davies
Administrator of Estate of Abner Norris Spencer, Dec'd.
208 Hamilton House.
Shanghai, China.

portant contact with the outside world. China's gigantic effort in building and maintaining this great highway to prevent her complete isolation from other friendly nations has provided one of the great news stories of our day. Yet turning back the pages of history some 60 years, we find bitter opposition on the part of Chinese to the efforts of foreigners to penetrate the south west over this same route. In the first part of his monograph, Mr. Wang relates the story of the ill-fated British expedition from Burma in 1875 and the murder of its interpreter Margary in the frontier region of Yunnan.

Pressure on reluctant China to open her south west was the result of imperialistic rivalry. British traders were worried by American competition along the China coast, but especially alarmed by the increasingly firm grip which France was establishing over the region of Indo-China. The French already were exploring possible trade routes into Yunnan. Therefore Chambers of Commerce in Great Britain clamored for the opening of a new door into China by way of Burma, while the government of India took the initiative in organizing an expedition, with a special interest of preparing the way for securing a market for Bengal opium.

Holding off the Western powers was not the only problem with which China was confronted. For years the south west had been in turmoil because of the great Mohamedan revolt, which demonstrated the inability of the Imperial government to exercise effective control over remote regions, especially the wild Yunnan-Burma borderland. Nor did the Western powers refrain from fishing for advantage in these troubled waters—British sympathy, unofficially, had been shown the rebels, while France supported the Imperialists with arms. The rebellion had just been finally quelled when the India government dispatched its expedition.

The Imperial government in Peking, from whom the primary object of trade was concealed, finally gave its authorization, and the British legation dispatched the necessary passports overland to Burma by Margary, who was to act as interpreter. He reached the Burma border safely, where he contacted the expedition; but a few days later, when the expedition had only advanced a short distance through the border region, he met his death at the hands of Chinese. Who was really responsible for his murder and the subsequent attack on the main part of the expedition? Mr. Wang examines several views and is inclined to support that which blames the local Chinese authorities, who probably did not understand the peaceful character of the expedition.

At any rate, the British minister to China, Sir Thomas Wade, would not permit the Imperial government to evade its responsibility for the outrage occurring on territory within its jurisdiction. The latter part of the monograph treats the protracted negotiations between him and Li Hung-chang, which finally resulted in not merely reparation for the Margary affair, but the opening of a number of new ports on the Yangtse, abolition of internal taxes which handicapped trade, as well as recognition of representatives of foreign governments more nearly on a basis of equality that the Manchu empire had been willing to do previously. In writing this authoritative account of this phase in China's international relations, Mr. Wang, in addition to numerous published sources, has made use of unpublished materials in the Public Record Office, and has also read through papers of the India Office which are still regarded confidential.

B. D. C.

In the United States Court for China

SARAH JACOBS BADER *Plaintiff,* vs. JOSEPH JOHN BADER *Defendant.*	Cause No. 4561. Civil No. 2440. ORDER Filed at Shanghai, China, Feb. 3rd, 1941. WILLIAM T. COLLINS *Clerk*

The object of this suit is an action for divorce.

WHEREAS, plaintiff herein, by her attorneys, has this 14th day of January, 1941, made application for the substitution of publication for personal service upon the defendant herein; and

WHEREAS, it appears from the files in this case that on the 19th day of December, 1940, the summons for defendant was returned by the United States Marshal for China with the following noted thereon: "Defendant cannot be found within the jurisdiction of this Court"; and

WHEREAS, it appears from the files in this case that on the 14th day of January, 1941, the plaintiff herein filed an affidavit to the effect that the defendant does not now reside in China, nor has he resided therein since more than two years last past, and that defendant's last known address was No. 102 Hollywood Avenue, Albany, New York.

NOW, THEREFORE, it is this 3rd day of February, 1941, ORDERED that service upon the defendant be made by publication once a week for three consecutive weeks in the CHINA WEEKLY REVIEW, SHANGHAI, CHINA, a paper of general circulation most likely to reach the defendant.

IT IS FURTHER ORDERED that the defendant cause his appearance to be entered herein on or before the fortieth day, exclusive of Sundays and legal holidays, occurring after the 22nd day of February, 1941, the day of last publication of this Order; otherwise the case will be proceeded with as in case of default.

BY THE COURT:

Dated at Shanghai, China,
this 3rd day of February, 1941.

MILTON J. HELMICK,
Judge.

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JAPAN'S WAR IN CHINA

When the Sino-Japanese hostilities broke at Peiping on July 7, 1937 and at Shanghai on August 13 of the same year, THE CHINA WEEKLY REVIEW immediately began compiling a day-to-day record of out-standing developments in the struggle including the diplomatic side as well as the military. These handy little volumes, each covering a period of six months, have now reached five.

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